The Palgrave Handbook of Global Philanthropy
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The Palgrave Handbook of Global Philanthropy

Edited by

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Summary: "The Palgrave Handbook of Global Philanthropy is a comprehensive reference guide to the practice of philanthropy across twenty-six nations and regions. In addition, thematic chapters examine cross-national issues to provide an indispensable guide to the latest research in this field. Drawing on theoretical insights from sociology, economics, political science, and psychology, and including a stellar international line-up of leading philanthropy scholars, this essential reference work describes the non-profit sector and analyzes philanthropic endeavours country by country, providing a global overview that covers Asia, Europe, the Middle East, Australia and the Americas. In addition, thematic chapters examine cross-national issues, including the social origins of the non-profit sector and charitable giving; the influence of government support; the role of religion; fiscal incentives; and fundraising to outline how major country-specific differences in governmental, economic, and legal policies for philanthropic actors and nonprofit organizations shape philanthropic giving, demonstrating how country-specific factors may facilitate or inhibit charitable giving. Nonprofit organizations provide important public goods and services in societies across the world. In times of economic crisis, when governments are forced to decrease public spending, these organizations become even more important in meeting demands for these goods and services. But what motivates individuals to voluntarily give away portions of their own financial resources to benefit the public good and to enable nonprofit organizations to carry out their work? Why do people in one country give more frequently and more generously to nonprofit organizations than those in another? The Palgrave Handbook of Global Philanthropy provides an indispensable guide to the latest research in philanthropy, the non-profit sector and charitable giving."—Provided by publisher.

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Contents

List of Tables and Figures ix
Acknowledgments xv
Notes on Contributors xvi

Part I Introduction

1 Introduction Pamala Wiepking and Femida Handy 3
2 Explanations for Cross-National Differences in Philanthropy Pamala Wiepking and Femida Handy 9

Part II Countries: Philanthropy across the World

3 Giving in Canada: Strong Philanthropic Traditions Supporting a Large Nonprofit Sector David Lasby and Cathy Barr 25
4 Giving in the United States: Generous Philanthropy in a Classic Liberal Regime Eleanor Brown, Christopher J. Einolf and Mark Ottoni-Wilhelm 44
5 Giving in Mexico: Generosity, Distrust and Informality Michael D. Layton and Valérie Mossel 64
6 Giving in the Caribbean: Building upon Cultures of Generosity to Strengthen the Nonprofit Sector Sharilyn Hale 88
7 Giving in Austria: A Corporatist Relationship between the Nonprofit Sector and the State Michaela Neumayr 100
8 Giving in Bulgaria: A Nonprofit Sector in Transition Franziska Bieri and Neven T. Valev 118
9 Giving in France: A Philanthropic Renewal after Decades of Distrust Arthur Gautier, Anne-Claire Pache and Valérie Mossel 137
10 Giving in Finland: The Multidimensional Role of Giving in a Context of a Changing Welfare Model  
Henrietta Grönlund and Anne Birgitta Pessi

11 Giving in Germany: Toward Systematic Information on a Fragmented Nonprofit Sector  
Marius Mews and Silke Boenigk

12 Giving in Ireland: A Nation of Givers in a Largely Unregulated Arena  
Oonagh B. Breen and James Carroll

13 Giving in the Netherlands: A Strong Welfare State with a Vibrant Nonprofit Sector  
Pamala Wiepking and René Bekkers

14 Giving in Norway: An Ambitious Welfare State with a Self-Reliant Nonprofit Sector  
Karl Henrik Sivesind

15 Giving in Russia: The Difficult Shaping of the New Nonprofit Regime  
Irina Mersianova, Lev Jakobson and Irina Krasnopolskaya

16 Giving in Switzerland: High Engagement and International Outreach  
Georg von Schnurbein and Steffen Bethmann

17 Giving in the United Kingdom: Philanthropy Embedded in a Welfare State Society  
Beth Breeze, Peter Halfpenny and Karl Wilding

18 Giving in Egypt: Evolving Charitable Traditions in a Changing Political Economy  
Catherine Herrold

19 Giving in Israel: From Old Religious Traditions to an Emerging Culture of Philanthropy  
Hagai Katz and Itay Greenspan

20 Giving in Lebanon: Traditions and Reality in an Unstable Environment  
Khaldoun AbouAssi
21 Giving in China: An Emerging Nonprofit Sector Embedded within a Strong State 354
   Wang Xinsong, Liu Fengqin, Nan Fang, Zhao Xiaoping and Zhang Xiulan

22 Giving in Hong Kong: A Growing Sector Evading Regulation 369
   Elaine Chan and Wai Fung Lam

23 Giving in Indonesia: A Culture of Philanthropy Rooted in Islamic Tradition 388
   Una Osili and Çağla Ökten

24 Giving in Japan: The Role of Philanthropy in Strengthening Civil Society 404
   Naoko Okuyama and Naoto Yamauchi

25 Giving in South Korea: A Nation of Givers for the Population under Public Assistance 426
   Chulhee Kang, Erica Yoonkyung Auh and Younghye Hur

26 Giving in Taiwan: On the Rise following Economic Growth and Political Democratization 455
   Kuang-Ta Lo and Shih-Ying Wu

27 Giving in Vietnam: A Nascent Third Sector with Potential for Growth 473
   Phuong Anh Nguyen and Dana R.H. Doan

28 Giving in Australia: Philanthropic Potential Beginning to Be Realized 488
   Wendy Scaife, Katie McDonald, Alexandra Williamson and Valérie Mossel

Part III Themes and Findings

29 The Social Origins of the Nonprofit Sector and Charitable Giving 509
   Christopher J. Einolf

30 The Influence of Government Support for the Nonprofit Sector on Philanthropy across Nations 530
   Phuong Anh Nguyen

31 The Influence of Fiscal Incentives on Philanthropy across Nations 540
   Michael D. Layton

32 The Influence of Religion on Philanthropy across Nations 558
   Henrietta Grönlund and Anne Birgitta Pessi
33 Encouraging Generosity: The Practice and Organization of Fund-Raising across Nations 570
   Beth Breeze and Wendy Scaife

34 The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective 597
   Pamala Wiepking and Femida Handy

Index 624
Tables and Figures

Tables

2.1 Nonprofit sector types, according to Salamon and Anheier’s social origins theory (1998) 10
3.1 Charitable tax credits by province and territory (Canada Revenue Agency, n.d.) 29
3.2 Philanthropic support in Canada, Canadians aged 15 and over, 2004 34
3.3 Secular Canadian philanthropic support by subsector, Canadians aged 15 and over, 2004 36
3.4 Logistic regression analysis of making a philanthropic donation, Canadians aged 15 and over, 2004 38
3.5 Tobit regression analysis of the natural log of total amounts donated, Canadians aged 15 and over, 2004 39
4.1 Percentage donors and average amount donated among donors to different charitable sectors in the United States in 2004 (N = 7,823; PPS, 2005) 54
4.2 Regression analysis of making a philanthropic donation in the United States in 2004 (N = 7,251; PPS, 2005) 55
4.3 Tobit regression analyses of the natural log of amounts donated in the United States in 2004 (N = 7,251; PPS, 2005) 59
5.1 Reasons for preferred method of donation among 60% that answered they favored giving directly to those in need, disaggregated by income (Layton & Moreno, 2010, pp. 87–88) 73
5.2 Reasons for preferred method of contribution among 16% that answered they favored organizations, disaggregated by income (Layton & Moreno, 2010, pp. 87–88) 74
5.3 Percentage donors and average amount donated among donors to different charitable sectors in Mexico 2005 (N = 1,427; National Survey on Philanthropy and Civil Society) 78
5.4 Logistic regression analysis of total, religious and secular giving in Mexico in 2005 (N = 1,427; National Survey on Philanthropy and Civil Society) 80
5.5 Tobit regression analyses of the natural log of the total amount donated in Mexico in 2005 (N = 1,427; National Survey on Philanthropy and Civil Society) 82
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Percentage of the population donating to different charitable causes in Austria in 2008 (N = 1,019)</td>
<td>110</td>
</tr>
<tr>
<td>7.2</td>
<td>Logistic regression analyses of total, religious and secular giving in Austria in 2008 (N = 813)</td>
<td>112</td>
</tr>
<tr>
<td>7.3</td>
<td>Tobit regression analysis of the natural log of the total amount donated in Austria in 2008 (N = 813)</td>
<td>113</td>
</tr>
<tr>
<td>8.1</td>
<td>Types of nonprofit organizations in Bulgaria in 2013</td>
<td>121</td>
</tr>
<tr>
<td>8.2</td>
<td>Religious composition by ethnicity, in percent of the total, Bulgaria 2011</td>
<td>125</td>
</tr>
<tr>
<td>8.3</td>
<td>Percentage of donors and trust in Bulgaria, 2010</td>
<td>130</td>
</tr>
<tr>
<td>8.4</td>
<td>Explaining giving in Bulgaria, 2010: Logit estimations</td>
<td>131</td>
</tr>
<tr>
<td>9.1</td>
<td>Percentage of donors and average amount donated among donors to different charitable sectors in France 2009 (N = 1,195; Giving France 2009)</td>
<td>147</td>
</tr>
<tr>
<td>9.2</td>
<td>Logistic regression analysis of total, religious and secular giving in France in 2009 (N = 1,195; Giving France, 2009)</td>
<td>149</td>
</tr>
<tr>
<td>9.3</td>
<td>Tobit regression analyses of the natural log of the total amount donated in France in 2009 (N = 1,195; Giving France, 2009)</td>
<td>151</td>
</tr>
<tr>
<td>10.1</td>
<td>Percentage of donors who have donated to different charitable subsectors in Finland in 2008 (N = 701)</td>
<td>164</td>
</tr>
<tr>
<td>10.2</td>
<td>Logistic regression analysis of the total amount donated in Finland in 2008 (N = 968)</td>
<td>166</td>
</tr>
<tr>
<td>11.1</td>
<td>Percentage donors and average amount donated in Germany in 2009 (SOEP, 2011)</td>
<td>181</td>
</tr>
<tr>
<td>11.2</td>
<td>Logistic regression analysis of total giving in Germany in 2009 (N = 13,589; SOEP, 2011)</td>
<td>182</td>
</tr>
<tr>
<td>11.3</td>
<td>Tobit regression analysis of natural log of the total amount donated in Germany in 2009 (N = 13,657; SOEP, 2011)</td>
<td>184</td>
</tr>
<tr>
<td>12.1</td>
<td>The scheme of tax relief on donations from self-assessed taxpayers</td>
<td>193</td>
</tr>
<tr>
<td>12.2</td>
<td>The scheme of tax relief on donations from PAYE only</td>
<td>193</td>
</tr>
<tr>
<td>12.3</td>
<td>Household yearly donations – descriptive statistics</td>
<td>200</td>
</tr>
<tr>
<td>12.4</td>
<td>Logistic regression analysis of total, religious and secular giving in Ireland in 2005 (N = 6,884)</td>
<td>201</td>
</tr>
<tr>
<td>12.5</td>
<td>Tobit regression analyses of the natural log of the total amount donated in Ireland in 2005 (N = 6,884)</td>
<td>203</td>
</tr>
<tr>
<td>13.1</td>
<td>Percentage donors and average amount donated among donors to different charitable sectors in the Netherlands in 2005 (N = 1,367; GINPS05, 2006)</td>
<td>220</td>
</tr>
<tr>
<td>13.2</td>
<td>Logistic regression analysis of total, religious and secular giving in the Netherlands in 2005 (N = 1,367; GINPS05, 2006)</td>
<td>222</td>
</tr>
<tr>
<td>Table</td>
<td>Description</td>
<td>Page</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>13.3</td>
<td>Tobit regression analyses of the natural log of the total amount donated in the Netherlands in 2005 (N = 1,367; GINPS05, 2006)</td>
<td>224</td>
</tr>
<tr>
<td>14.1</td>
<td>Percentage donors and average amount donated among donors to voluntary organizations on different areas in 2009 (unweighted N = 1,937)</td>
<td>241</td>
</tr>
<tr>
<td>14.2</td>
<td>Logistic regression analysis of total, religious and secular giving in Norway in 2009 (unweighted N = 1,937)</td>
<td>244</td>
</tr>
<tr>
<td>14.3</td>
<td>Tobit regression analyses of the natural log of the amount donated to total, religious and secular organizations in Norway in 2009 (N = 1,937)</td>
<td>245</td>
</tr>
<tr>
<td>15.1</td>
<td>Logistic regression analysis of total giving in Russia in 2009 (N = 37,250; 2009)</td>
<td>263</td>
</tr>
<tr>
<td>16.1</td>
<td>Tax deduction of charitable donations by canton (proFonds, 2012)</td>
<td>270</td>
</tr>
<tr>
<td>16.3</td>
<td>Logistic regression analysis of total, religious and secular giving in Switzerland in 2006 (N = 7,400; 2007AF)</td>
<td>279</td>
</tr>
<tr>
<td>16.5</td>
<td>Tobit regression analysis of the natural log of the total amount donated in Switzerland 2006 (N = 5,507; 2007AF)</td>
<td>281</td>
</tr>
<tr>
<td>17.1</td>
<td>The type and value of charity tax reliefs on donations in the United Kingdom in 2011–2012</td>
<td>291</td>
</tr>
<tr>
<td>17.2</td>
<td>The absolute and relative size of donations made by the 30 most generous members of the <em>Sunday Times</em> Rich List 2004–2013</td>
<td>295</td>
</tr>
<tr>
<td>17.3</td>
<td>The number and total cash value of donations worth £1 million or more, made by UK major donors</td>
<td>296</td>
</tr>
<tr>
<td>17.4</td>
<td>Percentage of donors and average amount donated among donors to different charitable sectors in Britain in 2005 (N = 3,787; UK Giving, 2005–2006)</td>
<td>299</td>
</tr>
<tr>
<td>17.5</td>
<td>Logistic regression analysis of total, religious and secular giving in the United Kingdom in 2005 (N = 3,745; UK Giving, 2005–2006)</td>
<td>301</td>
</tr>
<tr>
<td>19.1</td>
<td>Religious composition, 2011, and levels of religiosity in the Jewish population, 2005</td>
<td>324</td>
</tr>
<tr>
<td>19.2</td>
<td>Percentage of donors to different charitable subsectors in Israel in 2008 (N = 1,498; GiVOD-IL, 2009)</td>
<td>329</td>
</tr>
<tr>
<td>19.3</td>
<td>Logistic regression analysis of total, religious and secular giving in Israel in 2008 (N = 1,174; GiVOD-IL, 2009)</td>
<td>331</td>
</tr>
<tr>
<td>Table</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>19.4</td>
<td>Tobit regression model of the natural log of the total amount donated by Israeli households in 2008 (N = 816; GiVOD-IL, 2009)</td>
<td></td>
</tr>
<tr>
<td>21.1</td>
<td>Percentage of donors to different philanthropic sectors in China in 2010 (N = 2,783)</td>
<td></td>
</tr>
<tr>
<td>21.2</td>
<td>Logistic regression analysis of total, religious and secular giving in China in 2010 (N = 5,352)</td>
<td></td>
</tr>
<tr>
<td>21.3</td>
<td>Tobit regression analysis of the natural log of the total amount donated in China in 2010 (N = 5,352)</td>
<td></td>
</tr>
<tr>
<td>21.1</td>
<td>Percentage of donors to different philanthropic sectors in China in 2010 (N = 2,783)</td>
<td></td>
</tr>
<tr>
<td>21.2</td>
<td>Logistic regression analysis of total, religious and secular giving in China in 2010 (N = 5,352)</td>
<td></td>
</tr>
<tr>
<td>21.3</td>
<td>Tobit regression analysis of the natural log of the total amount donated in China in 2010 (N = 5,352)</td>
<td></td>
</tr>
<tr>
<td>22.1</td>
<td>Tax-deductible donations</td>
<td></td>
</tr>
<tr>
<td>22.2</td>
<td>Logistic regression of decision to give (N = 1,009)</td>
<td></td>
</tr>
<tr>
<td>22.3</td>
<td>Ordinal logistic regression of donation amount (N = 1,009)</td>
<td></td>
</tr>
<tr>
<td>23.1</td>
<td>Descriptive statistics</td>
<td></td>
</tr>
<tr>
<td>23.2</td>
<td>Logistic regression analysis of total, religious and secular giving in Indonesia in 2007</td>
<td></td>
</tr>
<tr>
<td>23.3</td>
<td>Tobit regression analyses of the natural log of the total amount donated in Indonesia in 2007</td>
<td></td>
</tr>
<tr>
<td>24.1</td>
<td>Number of organizations included in the nonprofit sector</td>
<td></td>
</tr>
<tr>
<td>24.2</td>
<td>Results from a logistic regression analysis</td>
<td></td>
</tr>
<tr>
<td>24.3</td>
<td>Results from a Tobit regression analysis</td>
<td></td>
</tr>
<tr>
<td>25.1</td>
<td>The honor society membership: A representative major giving program</td>
<td></td>
</tr>
<tr>
<td>25.2</td>
<td>Participation among individual donors to different secular causes in South Korea (N = 716; Giving Korea, 2006)</td>
<td></td>
</tr>
<tr>
<td>25.3</td>
<td>The relationship between religiosity and secular giving</td>
<td></td>
</tr>
<tr>
<td>25.4</td>
<td>Regularity of individual secular giving in South Korea</td>
<td></td>
</tr>
<tr>
<td>25.5</td>
<td>Logistic regression (Korean model) results for participation in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)</td>
<td></td>
</tr>
<tr>
<td>25.6</td>
<td>Logistic regression (common model) results for participation in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)</td>
<td></td>
</tr>
<tr>
<td>25.7</td>
<td>Tobit regression (Korean model) results of the natural log of the giving amount in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)</td>
<td></td>
</tr>
<tr>
<td>25.8</td>
<td>Tobit regression (common model) results of the natural log of the giving amount in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)</td>
<td></td>
</tr>
<tr>
<td>25.9</td>
<td>Tobit regression results of the natural log of philanthropic effort in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)</td>
<td></td>
</tr>
<tr>
<td>26.1</td>
<td>Numbers of tax returns with charitable deductions in different income levels unit: US$ and NT$ are in thousands; % (Statistics</td>
<td></td>
</tr>
</tbody>
</table>
26.2 Percentage and average amount donated among population and donors to different charitable sectors in Taiwan in 2003 (SSDT, 2003) 464
26.3 Percentage of donors and average amount donated among donors to different charitable sectors – by age, gender and employment status in Taiwan in 2003 (SSDT, 2003) 465
26.4 Logistic regression analysis of total, religious and secular giving in Taiwan in 2009 (N = 1,912; TSCS, 2009) 467
26.5 Tobit regression analyses of the natural log of the total amount donated in Taiwan in 2009 (N = 1,912; TSCS, 2009) 468
28.1 Percentage donors and average amount donated among donors to different charitable sectors in Australia in 2005 (N = 5,954; Giving Australia, Individual and Household Survey) 497
28.2 Logistic regression analysis of total, religious and secular giving in Australia in 2005 (N = 5,954; Giving Australia, Individual and Household Survey) 499
28.3 Tobit regression analyses of the natural log of the total amount donated in Australia in 2005 (N = 5,954; Giving Australia, Individual and Household Survey) 501
29.1 Salamon and Anheier’s classification of states 511
29.2 Giving across countries by regime 514
29.3 Percentage of the population making donations to nonprofits in different sectors 517
30.1 The relationship between government financial support for nonprofits and philanthropic giving 532
31.1 Country comparison of nonprofit sectors and fiscal incentives for donors and organizations 543
33.1 Professional organizations fostering fund-raising around the world 582
33.2 Typology of fund-raising regimes around the globe 588
34.1 Countries with a formal or voluntary cost ratio 609

Figures

2.1 Private donations for Haiti earthquake relief and reconstruction 16
3.1 Distribution of donors and total donation amount, by amount of donations, Canadians aged 15 and over, 2004 (CSGVP) 35
5.1 Preferred manner of donation (Layton & Moreno, 2010, p. 85) 72
5.2 Most common methods in which Mexicans donate (Layton & Moreno, 2010, p. 66) 76
7.1 Taxation of private income and price of charitable donations by income in Austria in 2012 103  
11.1 Members of major religions in Germany in millions (Statista, 2013) 176  
11.2 Share of donors in Germany from 2000 to 2011 (TNS Infratest, 2011) 179  
13.1 Taxation of private income in the Netherlands in 2012 (Mariani, 2011) 214  
13.2 Percentage of voters for the Dutch Reformed Political Party in 2003 (Vos, 2006) 216  
15.1 Percentage of respondents by their estimation of current condition of social sphere sectors (2011, % of surveyed, $N = 2,000$) 252  
15.2 Percentage participating in parish activities, by type of participation 256  
15.3 Percentage of respondents’ trust to various types of donation collection 260  
17.1 General charities’ income in 2009–2010, by source (% share) 289  
17.2 The cost of giving £1 to charity in 2012–2013, for people paying different rates of tax 291  
17.3 Methods of giving: Proportion of donors and median amount raised by each method in 2010–2011 294  
19.1 Funding sources of the Israeli nonprofit sector, 2011 (Brenner & Hazan, 2012) 322  
24.1 Number of those eligible for tax deduction for charitable contribution 409  
24.2 Amount of deduction 410  
30.1 Scatterplot of government financial support for nonprofits and philanthropic giving 531  
34.1 The level of public social spending (OECD, 2007) and the number of nonprofit organizations per 1,000 inhabitants (this volume, Chapters 3–5, 7–11, 14–19, 23–26, 28) ($N = 19$) 603
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Part I
Introduction
Introduction

Pamala Wiepking and Femida Handy

December 26, 2004. One of the greatest natural disasters of our recent history destroys everything on its path: The Indian Ocean Tsunami. Over 200,000 lives are lost. Many more lose their homes and livelihoods. Within 24 hours, however, help is on the way. Nonprofit organizations, such as the Red Cross, Doctors without Borders and UNICEF, rush in their response teams to provide disaster relief. Their efforts are just one example of the significant work nonprofit organizations do in today’s society.

Nonprofit organizations provide important public goods and services in societies across the world. If nonprofit organizations did not exist, disaster relief might be harder to coordinate, vulnerable populations might not receive all the services they need, the poorest of the poor would have less access to the basic needs of food and shelter, research on diseases would be conducted at a much slower pace (if at all) and many forms of culture and arts might perish. Especially in times of economic crisis, when governments are forced to decrease public spending, nonprofit organizations are essential in meeting citizen demands for public goods and services.

Nonprofit organizations are also known as philanthropic organizations, or not-for-profit organizations. Although the definition of a nonprofit organization varies between countries, the common denominator is that nonprofit organizations are private (non-governmental), self-governing organizations, which on a voluntary basis distribute goods and services to benefit a public purpose, without the primary goal of making profits for their owners (Salamon & Anheier, 1992).

Because nonprofit organizations do not aim to make profits, they need to have other sources of income to carry out their mission. Typically, nonprofit organizations receive three sources of income: fees, subsidies and philanthropic donations (Salamon, Sokolowski, & Associates, 2004). Fees are generally collected from people using the goods and services provided by the nonprofit
organization, such as when visitors pay for a ticket to enter a museum or when people pay a fee to use a particular medical service. Subsidies are received from all levels of government supporting the provision of goods and services by the nonprofit. Last but not least, philanthropic donations are the voluntary financial donations provided to nonprofit organizations by private actors including individuals, for-profit organizations, as well as other nonprofit organizations, such as churches and foundations (Schuyt, Gouwenberg, & Bekkers, 2011).

Our goal in this edited volume is to explain this last source of income of the nonprofit sector: philanthropic donations, particularly those made by individuals. Why do people voluntarily give away some of their own financial resources to benefit the public good and to enable nonprofit organizations to carry out their work?

We know much about individual motivations for philanthropic donations. In a literature review of over 500 empirical articles studying philanthropic giving, Bekkers and Wiepking (2011a, 2011b, 2011c, 2011d) distilled eight mechanisms that drive people to make philanthropic donations:

**Awareness of need.** Philanthropy addresses the needs of recipients. But if potential donors and volunteers are not aware of existing needs, they will be less likely to engage in philanthropic behavior. Also, more often than not people respond to a perceived need, rather than an objective need.

**Solicitation.** In most cases, philanthropy occurs in response to a solicitation from or on behalf of an organization. Whether people are solicited to engage in philanthropic behavior, and how often they receive solicitations, are important factors that increase the level of engagement in philanthropy.

**Costs and benefits.** Acts of philanthropy are costly for the donor as they require a donation of his/her own resources. In some circumstances, however, the costs are lowered (such as through a charitable deduction), and in many cases acts of philanthropy also yield material benefits for the donor (such as exclusive access to meetings or services of the organization). Philanthropy will be enhanced when it can be done at lower costs and when it yields more benefits.

**Altruism.** Acts of philanthropy can be inspired by a ‘true’ or ‘pure’ concern for the well-being of recipients. Knowing that certain needs are addressed already, donors who are motivated by altruism will reduce their giving to these needs.
Reputation. The desire to obtain or maintain a positive social evaluation from others leads people to engage in philanthropy (when such behavior is expected to be viewed positively).

Psychological benefits. Acts of philanthropy typically generate a private internal benefit for the donor, even when the act of philanthropy cannot be observed by others. The psychological benefit is sometimes referred to as ‘warm glow’ or ‘joy of giving.’

Values. People display philanthropic behavior to create a ‘better world’ – one that is in line with their own perception of a ‘better world.’ Acts of philanthropy thus often express a value held by the donor. These values include (among others) religious, political and more general altruistic values.

Efficacy. People are more likely to engage in philanthropic behavior when they perceive their contribution to be more effective.


What we know much less about is how the context in which people live influences their willingness to make donations to nonprofit organizations. Why do people in one country give more frequently and more generously to nonprofit organizations than people in another country? In this volume, we build on theoretical insights from sociology, economics, political science and psychology to examine the conditions under which people are more or less generous when it comes to making philanthropic donations. We are particularly interested in gaining a better understanding of how major country-specific differences in governmental, fiscal and legal policies for philanthropic actors and nonprofit organizations shape philanthropic giving. So far, very little research (if any) has focused on understanding how to shape a society with the best conditions for philanthropic giving. Hence, this volume aims to achieve that understanding.

The Palgrave Handbook of Global Philanthropy provides a comprehensive overview of the nonprofit sector and philanthropic giving across 25 countries and one region, the Caribbean. Rather than merely describing differences between philanthropic behaviors across these nations, this volume contributes to the understanding of the contextual, country-specific factors that may facilitate or inhibit philanthropic giving. Renowned philanthropy scholars have contributed to this project by carefully describing the nonprofit sector and analyzing philanthropic giving in 26 countries. These scholars also explain which factors, unique for their country of expertise, facilitate or inhibit philanthropy and the nonprofit sector.
Our goal in this endeavor is to provide the reader country-specific information as well as an explanation as to why we might see differences in philanthropic giving across these 26 countries. Thus the book will put individual-level findings into country context. In this, our book complements preexisting research by Lester Salamon, Helmut Anheier and their colleagues in the Johns Hopkins Comparative Nonprofit Sector Project (see, e.g. Salamon & Anheier, 1997; Salamon, Sokolowski, & List, 2003). Their macro-level findings encouraged us to look deeper into the country-level differences at the micro level, to better understand how individuals may respond to differing incentives to participate. We examine only one facet of philanthropic behavior – philanthropic giving by individuals – and exclude other forms of participation or prosocial behavior, such as volunteering or paid employment in the nonprofit sector. We also do not explicitly focus on philanthropic giving by other types of actors, such as for-profit organizations, churches and foundations. As editors, we rely extensively on the collaboration of all the authors, experts in their countries who provide access to their data and deep knowledge about the context of their data.

Chapter 2 lays out the theoretical overview and conceptual framework necessary to answer the principal question of this book: why do some people in some countries donate more often and higher amounts to nonprofit organizations than others? Using theories from economics, sociology, political science and psychology, we provide an overview of possible explanations for country-level differences.

In Part II, we provide 26 country-specific chapters. Each chapter is written by country specialists who provide the context for philanthropic giving in their country. The country specialists describe in detail the role of the government, fiscal and legal policies dealing with philanthropic donations and the professionalization of fund-raising in their countries; additionally, they describe the historical and religious context for philanthropy. Each chapter is organized around common themes and subheadings to ease comparisons by the interested reader.

For the 21 countries for which representative national-level surveys on philanthropic donations are available, the authors also report on the participation rates and levels of giving and relate these to socioeconomic background variables available across all national-level surveys. This reporting enables the reader to compare the individual predictors of charitable donations across countries. A methodological note is warranted, however, as the national-level surveys are different in nature, and methodology and measures vary between surveys. More detailed information about the methodology of these surveys is included in the respective country chapters. For five countries (Caribbean, Egypt, Hong Kong, Lebanon, Vietnam), no representative national-level surveys on philanthropic donations were available or accessible. We choose to include
chapters on these countries in this volume as these chapters provide a very insightful, albeit nonempirical, description of philanthropy and the nonprofit sector in regions typically underrepresented in the philanthropy literature.

The 26 countries included in this volume are primarily selected based on the availability of representative national-level surveys. This means that certain parts of the world are more strongly represented, as data on philanthropic donations is most often collected in North America, Europe and Asia. In order to also provide information about regions for which no empirical data was available, we attempted to involve authors from other parts of the world, thus letting go of the criteria of the availability of a national survey. Unfortunately, within the time frame of this project, we were unable to include work from the Arab world, Africa and South America. Therefore, the results of this volume only pertain to the countries and regions included, which are mainly developed countries.

The 26 country chapters are followed by five thematic concluding chapters in Part III that synthesize overall findings, showing how differences in the social origins of the nonprofit sector (Chapter 29), government support (Chapter 30), tax regimes (Chapter 31), religious culture (Chapter 32) and the organization of fund-raising (Chapter 33) shape the nonprofit sector across countries and how these different contexts influence philanthropic donations. As editors, we conclude the volume with an overall summary of the findings and present the eight contextual factors facilitating philanthropy (Chapter 34). These eight factors can be instrumental in shaping a society with the best conditions for philanthropic giving.

Note

1. In the definition by Schuyt, Gouwenberg and Bekkers (2011), philanthropic donations also include donations in the form of time and resources. In this edited volume, we will only focus on philanthropic donations in the form of money made by individuals.

References


In this chapter, we will provide a theoretical overview to answer the question of why some people in some countries donate more often and higher amounts to nonprofit organizations than others. There are two types of answers to this question. First of all, aggregated individual-level differences between people can account for cross-national differences in philanthropic behavior. If people in some countries on average have more of the individual factors known to promote philanthropic giving, this can explain why people in that country are more likely to give and give higher amounts. These are compositional explanations. An example of a compositional explanation is educational level. We know that people who are higher educated display higher giving behavior (Brown & Ferris, 2007; Bekkers & Wiepking, 2011b) among others because they have more resources available in the form of income and knowledge about nonprofit organizations and their needs. If people in a country are on average higher educated, this can explain why people in that country are more generous donors. Other aggregated individual-level factors that are known to influence philanthropic behavior are, for example, financial, human and social resources and religious, political and prosocial values (Bekkers & Wiepking, 2007).

However, the real added value of this edited volume, and our primary interest, lies in the first opportunity to examine the importance of context on the likelihood and level of individual philanthropic donations. One example of the influence of a country’s context on individual philanthropic behavior is the impact a country’s fiscal incentives for giving has on individual donations. Although there have been stringent tests of tax effects on philanthropic giving (Bakija, 2000; Peloza & Steel, 2005), most of these tests have been conducted using US data. In order to understand the effect of different fiscal incentives, one needs to either study changes in one tax system over time or study different systems simultaneously. Although there have been some changes in the US tax system for philanthropic donations, these changes are very modest compared to the variation in tax systems across the 26 countries included in this
edited volume. In this volume, we will be able to qualitatively examine the relationship between a large range of fiscal incentives for giving and individual philanthropic behavior. In addition to fiscal incentives for giving, we expect other contextual effects to influence individual philanthropic behavior, including type of nonprofit sector, market and government failure, government policy (including government subsidies), regulations for the nonprofit sector and culture (including religion and fund-raising professionalism). Next, we will use the current interdisciplinary literature to provide contextual explanations for philanthropic behavior.

1. Contextual explanations

We develop eight contextual explanations for cross-national differences in philanthropic giving, based on type of nonprofit sector (social origins theory), economic theories (including government failure and market failure), government policy (including government subsidies and fiscal incentives), regulations for the nonprofit sector and culture (including religion and fundraising professionalism).

2. Types of nonprofit sector

According to Salamon and Anheier’s (1998) social origin theory, the historical development of social, political and economic state–society relationships in a country result in four different ideal types of nonprofit sectors: liberal, social democratic, corporatist and statist nonprofit sectors. This categorization is based upon a two-dimensional approach in which level of government social welfare spending and size of the nonprofit sector determine the nonprofit sector type, and it is derived from Esping-Andersen’s (1990) types of welfare state regimes. Table 2.1 represents this categorization.

Countries with a liberal nonprofit sector are categorized by low government spending on social welfare and a large nonprofit sector. In these countries, the voluntary private provision of public goods is favored over public provision, as

<table>
<thead>
<tr>
<th>Government social welfare spending</th>
<th>Nonprofit sector scale</th>
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<tbody>
<tr>
<td>Low</td>
<td>Statist</td>
</tr>
<tr>
<td>High</td>
<td>Social democratic</td>
</tr>
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<td></td>
<td>Liberal</td>
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<td></td>
<td>Corporatist</td>
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Source: Salamon and Anheier (1998, p. 228, Table III).
there is significant ideological and political opposition against a strong state. The provision of public goods is perceived as a role of the voluntary nonprofit sector, not the state. Examples of countries with a liberal nonprofit sector are the United States and the United Kingdom. In contrast to countries with a liberal nonprofit sector, countries with a social-democratic nonprofit sector are categorized by high government spending on social welfare and a small nonprofit sector. In these countries, a strong opposition of working-class groups has resulted in a large welfare state in which the state dominates the provision of public goods and services. At the same time, the nonprofit sector in social-democratic countries can be active, but mainly outside the realm of welfare state provisions considered essential, such as health care, education and social benefits. Examples of countries with a social-democratic nonprofit sector are Sweden and Italy. Countries with a corporatist nonprofit sector are categorized by high government spending on social welfare and a large nonprofit sector. In these countries, both the state and nonprofit sector are strong; thus, they work together in the provision of public goods and services. Examples of countries with a corporatist nonprofit sector are Germany and France. The fourth and final type of nonprofit sector is the statist nonprofit sector. In countries with a statist nonprofit sector, a country’s elites are in control of the public good provision, and this leads to both low government spending on social welfare and a small nonprofit sector. An example of a country with a statist nonprofit sector is Japan.

Based on the social origins theory, Salamon and Anheier (1998) predict that in countries in which both a liberal and social-democratic nonprofit sector dominate, private philanthropy is the primary source of funding of the nonprofit sector. In countries with a corporatist nonprofit sector, the primary source of funding is the government. Finally, in countries with a statist nonprofit sector, fees and contributions will dominate the nonprofit sector funding. The data collected in the Comparative Nonprofit Sector project supports this assumption (Salamon & Anheier, 1998).

3. Economic theories

The nonprofit sector has attracted attention from economists who seek to explain the existence and role of the nonprofit sector. Demand theories are more popular as they explain nonprofits as a response to either market failure, where markets cannot provide optimal levels of goods and services, or government failure, where the public sector organizations cannot satisfy the demand for goods and services for all its citizens.

First we briefly review these two well-accepted economic theories, market failure and government failure and then discuss their potential influences on philanthropic giving. In economic terms, nonprofit organizations are allowed
to generate surpluses (which equal the revenues subtracted with the costs); however, such surpluses must be reinvested into the objectives of the non-profit organization. No actor in the organization (directors, trustees, managers, staff, volunteers, etc.) has any proprietary rights on the surplus. This characteristic of nonprofit organizations distinguishes them clearly from for-profit organizations.

4. Market failure

Market failure results because of the nature of goods and services that the market must provide. Not all goods and services are private in nature, in that all the benefits and costs can be captured by the consumer and seller alone. Many goods and services are either fully or to some degree public in nature; hence, the market is inefficient in providing them. As such, some goods and services are relegated to the government (such as defense), while others may be relegated to the nonprofit sector (such as religion). A seminal paper by Hansmann (1986) argued that certain goods and services suffer from a problem of ‘asymmetric information’ and that a ‘contract failure’ arises for these goods and services between the consumer and the producer. Hansmann (1987) argued that contract failure arises in either the purchase or consumption of certain goods and services, where a consumer may not be able to evaluate accurately the quantity or quality of the purchase or consumption of the good or service. The producer will have greater information, and thus may have the incentive or opportunity to take advantage of the purchaser or consumer.

For example, consider the purchase of child care by a parent, where the consumer is the child. Due to the very nature of the service, the parent is unable to monitor the quality of the service and the child (the consumer) may also not be able to evaluate the service accurately. The child caregiver (the producer of the service) may have the opportunity (being unsupervised) and the incentive (cutting down on the effort and costs) to exploit the situation in his or her favor. Under such conditions, Hansmann argues that a producer that is a for-profit firm has a ‘profit’ motive, and the service provided can differ than the one contracted for. If on the other hand the profit-motive was removed, he argues there is a lower probability of contract failure (Hansmann, 1987). Thus, it is posited that nonprofit organizations – who are under a ‘non-distribution constraint’ on its surplus – are less likely to take advantage of the contract failure that may arise, which sets them apart from for-profit organizations and gives them a competitive advantage in those goods and services where there is a higher potential of contract-failure. Nonprofit organizations are likely to flourish in the provisions of those goods and services where commonplace contractual mechanisms cannot protect the consumer from dishonest producers and make for higher levels of ‘contract failure.’ In other words, purchasers and consumers
are likely to gravitate away from for-profits toward nonprofits when purchasing or consuming goods and services that require the producer to be trustworthy.

Contract failures in some subsectors of the nonprofit sector are more acute than others (e.g., in health and religion as compared to sports and museums). Depending on country-level context (such as culture and level of development), these goods and services can be produced either by the nonprofit sector or the government in an attempt to resolve the contract failure. The question then arises: What impact, if any, does contract failure have on philanthropic giving? In an indirect manner we can argue that how countries resolve contract failure will indeed impact philanthropic giving. For example, contract failures in the areas of health and religion can be resolved through the nonprofit or government sectors. If the government decides to subsidize the services – such as through a church tax or provision of health insurance – then the level of philanthropic giving will decrease. However, if there is no involvement of the government (provision or subsidy) in the production of these services, we expect that philanthropic giving will be higher as nonprofit organizations seek alternative funding. Indeed, one can argue that government actions will impact philanthropic giving – a trend that is further discussed in section 6.

5. Government failure

Weisbrod (1977) made the first attempt at providing a theoretical economic explanation for the existence of the nonprofit sector. Unlike the market failure theories in economics that explain the existence of public goods, Weisbrod (1975) suggested that the nonprofit sector’s raison d’etre was the failure of the public sector (government) in providing certain goods and services. In doing so, he provides the demand-side explanation of the existence of nonprofits. When government provides public goods and services such as roads, parks, policing and health care, it does so in response to what its citizens want. However, government may not satisfy all the citizens, many of whom either demand different services or different levels of existing services. Governments may fail to satisfy citizen demands since they respond through the political process, which determines the quality and quantity of the goods and services to be provided by the government. The political process in democratic states responds to the median voter; as a result, the preferences of median voters are most likely to be reflected in government’s decisions. ‘The median voter theorem’ predicts that with elections that are won on majority votes, the views of the elected government officials reflect the view of the median voter, and all voters on one side of the median voter will constitute a majority. As government-elected officials must secure their re-election to office, the decisions made on the quantity and quality of goods being provided will be influenced by the median voter.
Satisfying the median voter generally results in unsatisfied citizens who do not exercise political power. In countries with heterogeneous populations (such as people with different tastes due to religion or immigration) this problem is generally more exacerbated than in countries where the population is homogeneous. Thus, where minorities exists, citizens with different tastes from the majority may be unwilling to consume the quality or quantity of the goods and services the government provides. These citizens have four alternatives: migration, formation of lower level of government, resort to the private sector and resort to the nonprofit sector. Citizens may express their preferences by moving to another jurisdiction where the government provides goods and services that match their preferences (Tiebout, 1956). At best, they create a lower level of government in which they represent the majority and have goods and services provided according to their preferences. Certain goods and services can be bought in the private sector, and citizens can purchase these goods and services through the market to fulfill unmet demands. If the market can provide private-good substitutes, consumers can either buy the goods and services they wish or rely on government-supplied goods and services, depending on the difference in costs to the consumer and his/her preferences. Finally, for some goods and services – especially those which give rise to market-failures (as described above) – citizens can either organize nonprofit organizations that produce these goods and services or can get them from an existing one. As Weisbrod (1977, p. 30) writes, ‘a class of voluntary organizations will come into existence as extra government providers of collective-consumption goods [and serve to] supplement the public provision (which can be zero) and provide an alternative to private-sector provision of the private-sector provision of the private-good substitutes for collective goods.’ Thus, if nonprofits provide substitutes, the consumers can choose to receive these goods and services from nonprofits, again depending on relative costs (in comparison with government or the market). In these cases where there exists a heterogeneous demand for goods and services, the market and the nonprofit sector supplement the role of government.

The government-failure hypotheses explain why there will be a private production of certain goods and services; however, why it occurs in the nonprofit sector needs some explanation. For goods and services where both market failure and government failure occur, it is clear that the nonprofit sector will have a comparative advantage, and goods and services may be better positioned in this sector than others (Rose-Ackerman, 1986). For other goods and services, where there is no clear competitive advantage, Handy (1997) provides a theoretical explanation for the co-existence of all three sectors, and why consumers with differentiated demands patronize nonprofit sellers of goods and services even when similar services are provided by government or for-profit organizations:
consumers are willing to trade quality for efficiency and price. As Chaves (1998) sums up succinctly, either the excess demand or differentiated demand explains the existence and size of nonprofit sector.

We can then expect that countries with a heterogeneous population are likely to have a larger nonprofit sector than countries with a more homogeneous population. Turning to individual philanthropic giving, the question arises: how does the size of the nonprofit sector impact philanthropic giving? Clearly, philanthropic giving is a function of many individual and contextual determinants. In this particular case the context we consider is the size of the sector, which has a direct positive influence on giving. When a country’s nonprofit sector is larger, there is likely to be greater demand for philanthropic revenues for the sector, especially for those countries where philanthropic revenues are an important source of revenue for nonprofits.

6. Government policy in the nonprofit sector

Governments in different countries interact in various ways with their local nonprofit sectors. Two important interventions governments can make to affect private giving to nonprofit organizations are (1) providing government support to nonprofit organizations and (2) providing fiscal incentives for private donations.

6.1 Government support

Governments may affect private contributions to public goods by providing support or subsidies to nonprofit organizations. Classical economic models of public goods imply that government provision of public goods crowd-out private contributions (Andreoni, 1988). When governments provide public goods, the need for individual philanthropic donations is expected to be lower. We illustrate this with an example from international relief: the case of the Haiti earthquake. In January 2010, a disastrous earthquake demolished a large part of Western Haiti, including the capital Port-au-Prince. In an attempt to relieve the suffering in the disaster-stricken and impoverished country, people in many countries took out their wallets and donated generously.

Figure 2.1 shows the private donations made by individuals in ten Western countries to support victims of the Haiti Earthquake. Overall, people in these ten countries have been very generous when it comes to supporting unknown others. The per capita donations in these ten countries ranged from €7.10 to €0.90, with the Swiss being most generous and the Italians least generous. At the country level, people in the United States donated the highest amount of money overall, giving a total of 653 million euro. The Belgians donated the lowest amount of money, giving 19 million euro.
The donations in Figure 2.1 relate only to the individual philanthropic donations. For example, the US government alone has committed 171 million US dollars in Official Development Assistance (ODA) (Goodley, 2010).

Classical economic theory would predict crowding out of private donations by ODA (Atkinson, 2009). In the case of Haiti, the higher the government provision of Official Development Assistance (ODA) for Haiti, the lower the expected need for private donations by citizens. However, empirical studies have rarely provided support for such a crowding-out effect. Studies find at best partial crowding-out (Brooks, 1999; Brooks, 2000).

We argue that government subsidies for nonprofit organizations have two opposing effects, which we illustrate using the case of supporting victims of the Haiti earthquake. On the one hand, in line with the crowding-out hypothesis, direct government funding to international relief organizations that provide emergency aid in Haiti lowers the need for these organizations to solicit private donations from citizens. Lower levels of fund-raising will limit the awareness of the needs of the Haiti earthquake victims by citizens. If citizens are unaware of the beneficiaries’ needs, then fewer and lower levels of private donations will be made (Bekkers & Wiepking, 2011a). Another argument in support of the crowding-out hypothesis is that citizens behaving purely altruistically may consider government funding as an alternative source of funding that takes away the need for private contributions. The same argument can be made for private giving to other types of nonprofit organizations receiving government
subsidies, such as organizations supporting the arts or those with a focus on healthcare, education or sports.

We may also expect a crowding-in effect from government subsidies. First, government subsidies increase the total budget of nonprofit organizations, providing these organizations with greater financial means to spend on fund-raising and creating awareness of beneficiaries’ needs. Increased fund-raising and creation of awareness will result in an increase in private donations, and hence a crowding-in effect. A second argument in support of the crowding-in effect is that government subsidies to nonprofit organizations can signal a trustworthy reputation of the nonprofit organization receiving funding (Salamon & Anheier, 1998). Private donors look for guarantees that their donation will reach the intended beneficiaries and be spent as effectively as possible (Bekkers, 2003). Signals displayed by nonprofit organizations to facilitate trust include accreditation seals and celebrity ambassadors, but also government funding can be viewed as a sign of trustworthiness. Citizens may find that when the government trusts an organization enough to provide subsidies, they can trust this organization as well.

6.2 Fiscal incentives
In addition to providing subsidies, governments can influence private philanthropic giving using fiscal policies (Colombo, 2001). In many countries, philanthropic giving is tax deductible. Providing philanthropic donors with fiscal incentives for giving will increase the total volume of donations to nonprofit organizations in a country, and can thus explain cross-national differences (Koele, 2007; Dehne, Friedrich, Nam, & Parsche, 2008). Moreover, many countries grant tax exemption to nonprofit organizations.

7. Regulation of the nonprofit sector
Organizational integrity, good governance, accountability and transparency are important issues for nonprofit organizations (Kearns, 1994; Irvin, 2005). Across different countries, nonprofit organizations are subjected to different nonprofit regulatory systems that in best cases promote accountability and transparency, but in worst cases give governments full control over the nonprofit sector and its organizations.

In many countries, nonprofit organizations are subject to some form of government regulation. Government regulation can relate to requirements for the establishment of nonprofit organizations, but also to requirements for the operation of these organizations, standards for integrity, as well as control mechanisms and accountability (Lipsky & Smith, 1989). Often, complying with formal government regulation is a prerequisite for achieving and maintaining
nonprofit status, which also frequently incurs fiscal benefits. Government regulation is typically difficult to enforce due to limited resources to monitor and control the large numbers of nonprofit organizations (Young, 2000).

In addition to government regulation, there are two different types of voluntary regulatory systems: self-regulation and third-party monitoring (Ortmann & Svitkova, 2007).

In a self-regulatory system, nonprofit organizations themselves create an organization that – in collaboration with all member organizations – establishes a code of conduct with which all member organizations voluntarily comply. There is no formal monitoring of this system. An example of a self-regulatory system is the Code of Conduct and Fundraising Practices in the United Kingdom. In the United Kingdom, nonprofit organizations that become members of the Institute of Fundraising are required to adhere to the Code of Conduct and the Code of Fundraising Practice. In these codes, they pledge to ‘conduct themselves at all times with complete integrity, honesty and trustfulness; respect the dignity of their profession and ensure that their actions enhance the reputation of themselves and the Institute and not misuse their authority or office for personal gain’ (Institute of Fundraising, 2013).

An example of a third-party monitoring regulatory system is the Central Bureau of Fundraising Accreditation Seal in the Netherlands. In the Netherlands, nonprofit organizations can apply for an accreditation seal from the Central Bureau of Fundraising (Centraal Bureau Fondsenwerving [CBF]). Organizations who apply for this seal are accredited based on regulations regarding their board, monitoring principles, policy, fund-raising and reporting. The most well-known criterion is that organizations with a CBF accreditation seal are only allowed to spend 25 percent of their annual revenue on fund-raising costs (CBF, 2012). Bekkers (2003) shows that nonprofit organizations in the Netherlands that have been accredited by the Central Bureau of Fundraising perform significantly better in fund-raising.

8. Culture

8.1 Religion

Not only individual religious values and beliefs motivate philanthropic behavior (Cnaan, Kasternakis, & Wineburg, 1993; Norenzayan & Shariff, 2008), religious context is also of importance (Ruiter & De Graaf, 2006; Borgonovi, 2008; Lim & MacGregor, 2012; Bennett, 2013). People's philanthropic behavior is influenced by the religiosity of the people in their direct environment. Ruiter and De Graaf (2006) argue that people in more devout countries will be more likely to volunteer because their social networks are more likely to be devout. Both religious and secular people will be recruited through these devout networks, in which the norm to volunteer could be stronger and the
social pressure greater to comply with requests for volunteer work. Their results show that the average level of religiosity in a country has a positive relationship with individual volunteering in over 50 countries.

Borgonovi (2008) studies the effect of religious context and religious heterogeneity on giving and volunteering in different US counties. She argues that religious heterogeneity (pluralism) increases the quality of religious networks, thereby fostering greater giving and volunteering: ‘By fostering greater choice and more competition, religious pluralism may foster giving and volunteering indirectly by increasing the probability that people will attend religious services’ (Borgonovi, 2008, p. 107).

8.2 Professionalism of fund-raising

The professionalism of fund-raising in a country is extremely important for its level of philanthropic giving. Some studies estimate that up to 85 percent of the donations are a direct result of solicitation (Bryant, Jeon-Slaughter, Kang, & Tax, 2003; Bekkers, 2005). If people are asked to make a donation more often and more professionally, they will be more likely to give (substantially). The major fund-raising strategies employed by nonprofit organizations, as described by Sargeant (2005), are direct marketing, community fund-raising, fund-raising events, payroll giving, major gift fund-raising and legacy fund-raising. Between countries, large variation exists in the methods and the professionalism with which fund-raising is employed. One key indicator for the level of fund-raising professionalism in a country is the presence of a formal body representing and regulating members working as fund-raisers; in many cases, these formal bodies also offer training and accredited qualifications. Another key indicator is the presence of financial advisory professionals who support potential (major) donors with their giving strategies.

In the next section of this volume, experts on philanthropy and the nonprofit sector will provide detailed information on the context for philanthropic giving in 26 countries. The country specialists describe in detail the role of historical developments, the role of the government, fiscal and legal policies dealing with philanthropic donations, and the professionalization of fund-raising in their countries. For countries for which representative national-level surveys on philanthropic donations are available, the authors also report on the participation rates and levels of giving and relate these to socio-economic background variables available across all national-level surveys.

References


Part II
Countries: Philanthropy across the World
Giving in Canada: Strong Philanthropic Traditions Supporting a Large Nonprofit Sector

David Lasby and Cathy Barr

1. The philanthropic landscape

1.1 History

The earliest philanthropic activity in Canada occurred among the Aboriginal peoples who inhabited the land for thousands of years prior to European settlement. The concepts of giving and sharing were deeply embedded in Aboriginal culture. Necessities were shared for the sake of survival, and food and other items were given to others as a way of honoring relationships and creating bonds between individuals and groups (Wells, 1998; Berry, 1999). Although the Aboriginal way of life was disrupted and permanently altered by the arrival of Europeans in the 16th century, informal philanthropy continues to thrive today within both Aboriginal and non-Aboriginal communities.

Formal philanthropic activity began with the establishment of the first permanent European settlements in the 17th century. In New France (later the province of Quebec), the provision of education, health care and assistance to the poor fell primarily to the Roman Catholic Church, which received financial support from both individuals and the state. Formal state support for the Roman Catholic Church was temporarily halted after New France was ceded to Britain in 1763. It was later resumed, however, and the Church continued to dominate the provision of education, health and social services in Quebec until the 1960s. In other parts of the country, funds for education, health care and social services also came from both individuals and the state. These services were delivered by a variety of religious and secular groups.

Churches were at the center of community life in Canada in the 19th and early 20th centuries. The Catholic Church and the various Protestant denominations provided education, health, social, and recreational services – primarily to their own parishioners. Successive waves of immigrants founded mutual aid
societies and associations that met their cultural and linguistic needs. As a result, explains Martin (1985), ‘every church and every ethnic and interest group had its own charitable society or charitable foundation’ by the middle of the 19th century. This fragmentation continued well into the 20th century, although examples of cooperation can be found, such as the Community Chest, a coordinated fund-raising effort that evolved into the United Way Centraide.

One of the most significant events in the history of Canadian philanthropy occurred in 1930, when the Income War Tax Act was amended to allow Canadians to deduct charitable donations from the income tax they would otherwise be expected to pay. At the time, the allowable deduction was up to 10 percent of net taxable income. The Great Depression of the 1930s, however, led many to conclude that the state needed to expand its role in the welfare of citizens. These views eventually led to the introduction of unemployment assistance (1940), family allowances (1944), old age security (1952) and a publicly funded health care system (1966).

From the 1960s through the 1980s, spending by all levels of government on health, education and social services grew rapidly. Nevertheless, the delivery of many services remained in the hands of nonprofit organizations, and private philanthropy continued to supplement public funding. When growth in public spending declined in the 1990s, many nonprofits lost some or all of their government funding. Others continued to receive funds from government, but the terms of the funding became more restrictive and reporting requirements became more onerous (Scott, 2003; Eakin, 2007). In response to these changes, many nonprofit organizations increased their efforts to raise money from individuals and corporations. This increased focus on philanthropy has been accompanied by, and has likely contributed to, greater public scrutiny of how charities raise and spend money and heightened demands for transparency and accountability (Spears & Nakoneshny, 2012).

1.2 Size and scope of the nonprofit sector in Canada

Canada, with a population just under 35 million (Statistics Canada, 2012), has a large and extremely diverse nonprofit sector. We estimate that the sector is currently made up of over 170,000 registered charities and incorporated nonprofit organizations.1 These organizations run the gamut from very large organizations, with annual revenues in the billions and tens of thousands of paid employees, to very small organizations that are entirely dependent on volunteers and have annual revenues of less than a thousand dollars.

As in other countries, it is difficult to define the precise boundaries between the nonprofit sector and other sectors, particularly the government sector. The government plays a large role in funding and regulating all hospitals, many residential care facilities and institutions of higher learning and some social services organizations (Hall, Barr, Easwaramoorthy, Sokolowski, & Salamon, 2005).
The relationship between some of these organizations and the government is sufficiently close that the Canadian System of National Accounts classifies hospitals, universities and colleges as part of the government sector (Statistics Canada, 2010). Even so, most Canadian studies consider these organizations to be part of the nonprofit sector, although they are widely recognized as significantly different from other nonprofit organizations. Consequently, many descriptions of the sector segment it into two groups: (1) Hospitals, Universities, and Colleges and (2) all other organizations (the core nonprofit sector).

Collectively, the nonprofit sector accounts for approximately 7.1 percent of Canadian GDP (Statistics Canada, 2010). The vast majority of organizations belong to the core nonprofit sector, which accounts for about a third of sector GDP (2.4 percent of national GDP). Hospitals, Universities, and Colleges make up just 1 percent of sector organizations, but they account for quite large proportions of total nonprofit sector GDP (45 percent and 22 percent respectively – together equivalent to 4.7 percent of national GDP).

Because government plays such a large role in regulating and funding some organizations and subsectors, it is difficult to fit the Canadian nonprofit sector neatly into Salamon and Anheier’s 1996 classification system (which groups sectors into four groups: liberal, social democratic, corporatist and statist). Previous comparative work has noted that Canada’s nonprofit sector resembles both the ‘welfare partnership model’ prevalent in many western European nations and the ‘Anglo-Saxon model’ prevalent in Australia, the United States and the United Kingdom (Hall, Barr, et al., 2005). One can make a case that the core nonprofit sector is best classified as belonging to the liberal grouping, while organizations like hospitals, universities and colleges that are more closely aligned with government should be viewed as part of the social-democratic grouping. The reason for this is simple although government is ultimately responsible for the delivery of many social goods and services, its chosen instruments are frequently nonprofit and charitable organizations.

Canadian spending on public social expenditures is significantly lower than in most western European countries, but slightly higher than in the United States and Australia. In 2007, public social spending was equivalent to 17 percent of GDP (OECD, 2012).

1.3 Government policy in the nonprofit sector

1.3.1 Government support

Government funding accounts for approximately half of total Canadian nonprofit sector revenue (Hall, de Wit, et al., 2005; Statistics Canada, n.d.-a). Government revenues are particularly important among certain key subsectors. They account for over 80 percent of total revenues for Hospitals, two thirds of revenues for Social Services organizations, and just over half of revenues for
Over 90 percent of total government revenues for the nonprofit sector come from provincial governments, with most of the balance coming from the federal government. Local and municipal governments account for only about 1 percent of total nonprofit revenues. Provincial government revenues dominate because, constitutionally, health, education and many social services are areas of provincial responsibility (Hall, Barr, et al., 2005). However, federal government funding to the core nonprofit sector has increased over the past several years (Statistics Canada, 2009).

1.3.2 Fiscal incentives

The Canadian personal income tax system is progressive – individuals with higher incomes pay income taxes at higher marginal rates. All things equal, individuals with higher incomes thus pay more in income tax. Both federal and provincial/territorial governments levy personal income taxes. Federally, taxfilers with taxable income above a certain threshold fall into one of four income brackets, taxed at marginal rates between 15 percent and 29 percent. Provincial and territorial taxation authorities set their own tax brackets and marginal tax rates, meaning that the effective rate of income tax paid by taxfilers varies from province to province.

Taxfilers can claim tax credits based on donations they make to registered charities (donations to nonprofits that are not registered charities do not qualify for tax credits). Federally, taxfilers receive a 15 percent non-refundable tax credit for the first Can$200 of charitable donations claimed and the credit increases to 29 percent on donations more than Can$200. Hence, those who donate more than Can$200 receive tax relief at the highest marginal rate, regardless of their actual level of taxable income. The same pattern is seen provincially, with taxfilers receiving a credit at the lowest marginal tax rate for the first Can$200 and the highest rate for amounts over Can$200. Therefore, the value of the credits received varies according to the taxfiler’s province or territory of residence (see Table 3.1). Taxfilers are allowed to claim charitable donations worth up to 75 percent of their net income in any given year. Donation amounts that exceed 75 percent of net income can be carried forward and claimed against future taxable income for up to five years. Taxfilers are allowed to group up to five years of donations together and spouses can claim the other spouse’s donations. These measures allow taxfilers to maximize the proportion of their donations that receives the higher 29 percent tax credit. In addition, there are special provisions around the donations of appreciated capital property including listed securities and ecologically sensitive land. These donations are exempt from capital gains tax, making them particularly attractive to donors and helping to drive a surge of donations in the mid-1990s.
Currently, just under a quarter of taxfilers claim tax credits for charitable donations on their personal income tax returns. Preliminary estimates indicate that taxfilers claimed a total of $8.4 billion in charitable donations in 2011, the most recent year for which figures are available (Statistics Canada, 2013b). The average donation claimed was $1,478. In terms of long-term trends, the percentage of taxfilers claiming donations has steadily declined from a high of 29.5 percent in 1990, while the average donation claimed has risen. With the onset of the global economic downturn in late 2008, donations dropped, but preliminary figures show an increase of approximately 4.2 percent in total donations from 2009, accounting for the effects of inflation (Statistics Canada, n.d.-b). Over the long term, charitable donations have consistently outstripped growth in GDP and household incomes (Lasby, 2011). This trend, in conjunction with the declining percentage of taxfilers claiming donations and the ever increasing average size of donations, suggests that major donors are playing an increasingly important role in charitable donations.

### 1.4 Regulation of the nonprofit sector

From a regulatory perspective, there are two distinct types of nonprofit organizations in Canada: registered charities and nonprofit organizations that do not have charitable status. Both are exempt from paying taxes (with a few exceptions), but only registered charities may issue charitable donation receipts, which allow donors to claim the charitable donation tax credit. A nonprofit organization that wishes to become a registered charity must apply to the Canada Revenue Agency (CRA, 2012), which is responsible for regulating all
registered charities as a result of its responsibility for administering the tax system. Charitable status is granted only to organizations whose objectives and activities fall into one of four categories identified by the British courts in the 1891 *Pemsel* case: relief of poverty, advancement of education, advancement of religion, and other purposes beneficial to the community.

Registered charities must submit annual reports to CRA that detail their activities, revenues and expenditures. CRA makes the majority of information in these reports publicly available on its website and may also audit charities to ensure they are complying with all regulations. Failure to submit the annual report on time can result in the loss of charitable status, as can failure to follow other regulations. CRA pays particular attention to spending on fund-raising and political activities. In 2009, it issued detailed guidance on fund-raising that explains, among other things, what CRA considers acceptable fund-raising activities and costs. Canadian charities are allowed to spend up to 10 percent of their resources on non-partisan political activities. Recently, some controversy has risen about this form of spending, which has resulted in the government directing CRA to collect more information on charities' political activities.

Canada also has several non-governmental accreditation programs for charities and nonprofits. Examples include Accreditation Canada, the Bureau de normalisation du Quebec, the Canadian Centre for Accreditation, Focus Accreditation and Imagine Canada’s Standards Program. These programs are generally voluntary, although some funders do require their recipients to be accredited. Imagine Canada’s Standards Program is the newest edition to Canada’s voluntary accreditation landscape. This program, which is open to all Canadian charities and public-benefit nonprofits, requires participants to demonstrate that they comply with more than 70 standards in five areas, including governance, financial accountability, fund-raising, and staff and volunteer management (Phillips, 2012).

1.5 Culture

1.5.1 Religion

About two-thirds of Canadians identify as some form of Christian (Statistics Canada, 2013a). Roman Catholicism is the most prevalent religion, accounting for almost 40 percent of Canadians. Various Protestant sects account for just under a fifth of Canadians, and other Christian sects together make up about a tenth of the population. Just under a tenth of the population identifies with a non-Christian religion, and about a quarter have no religious affiliation. Frequency of attendance at religious services is in decline. In 2005, about one fifth of Canadians reported attending religious services on a weekly basis, down from just under a third in 1985 (Lindsay, 2008). Canada does not have a state church.
In terms of historical trends, the proportion of the population identifying as Roman Catholic or Protestant is declining. Conversely, adherents of non-Christian religions and those with no religious affiliation are increasing. These changing patterns of religious affiliation are principally the result of increasing secularism, particularly among the young, and shifts in the countries of origin of new immigrants to Canada. Roman Catholics and Protestants are found throughout Canada, with Roman Catholics being particularly concentrated in Quebec and New Brunswick, where they make up majorities of the population. Adherents of non-Christian religions tend to be most numerous in or near large cities in Ontario, British Columbia and Quebec. Those with no religious affiliation are most numerous in western Canada, particularly in Alberta, British Columbia, the Yukon and the Northwest Territories, where they account for roughly a third or more of the population (Statistics Canada, 2013a).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Canada has one national and numerous provincial and local organizations that represent and serve the interests of charities and nonprofits. The national organization, Imagine Canada, was formed in 2004 through a merger of the Canadian Centre for Philanthropy and the Coalition of National Voluntary Organizations. Examples of provincial and local organizations include the Ontario Nonprofit Network, the Community Sector Council of Newfoundland and Labrador, the Calgary Chamber of Voluntary Organizations and Pillar Nonprofit Network in London, Ontario. Many subsectors also have their own umbrella organizations and networks. Examples include the Health Charities Coalition of Canada, the Canadian Conference of the Arts, the Canadian Council for International Cooperation and the Canadian Council of Christian Charities.

Canada also has more than 10,000 public and private foundations and more than 100 United Ways Centraides. These organizations raise and/or manage funds from various sources and distribute them to qualified donees (usually other registered charities). More recent collective fund-raising efforts include the Humanitarian Coalition, a joint appeal mechanism that includes several large charities that provide international relief, and CanadaHelp.org, a charity established in 2000 to facilitate online donations for all Canadian registered charities. Several national and international associations of fund-raising professionals also operate in Canada, including the Association of Fundraising Professionals, the Association for Healthcare Philanthropy and the Canadian Association of Gift Planners.

Canadian charities solicit donations in many different ways. Information reported to the Canada Revenue Agency indicates that, in 2007, 39 percent of registered charities collected donations through collection plates and boxes,
and 38 percent held fund-raising dinners, galas and concerts (Ayer, Hall, & Vodarek, 2009). Other common solicitation methods included fund-raising sales (29 percent of charities), advertisements (22 percent), mail campaigns (19 percent), draws and lotteries (14 percent), auctions (13 percent), tournaments and sporting events (10 percent) and bingo or casino nights (10 percent). In addition, 19 percent of charities reported soliciting donations from corporations and 8 percent reported having planned giving programs. Most fund-raising is carried out by volunteers and staff; in 2007, only 1 percent of Canadian charities reported paying third parties to carry out fund-raising.

The cost of fund-raising is a contentious issue in Canada. A recent survey found that 52 percent of Canadians think charities spend too much on fund-raising and 34 percent expect all the money they give to charity to go to ‘the cause’ (Lasby & Barr, 2013). In its guidance to registered charities, the CRA indicates that fund-raising cost ratios under 35 percent are ‘unlikely to generate questions or concerns by the CRA,’ while those over 70 percent ‘will raise concerns’ (CRA, 2012). Although data submitted to the CRA by registered charities indicate that 90 percent have fund-raising cost ratios below 35 percent and only 4 percent have ratios over 70 percent, there are several reasons to question the accuracy of these figures (Ayer et al., 2009).

1.5.2.2 Major donors
There has been little systematic research on major donors in Canada. However, taxfiler data suggests that major donors account for an increasing proportion of charitable giving. For example, increases in total and average amounts donated have greatly outstripped increases in median donations, which is consistent with an increased role of major donors. Similarly, total donations have increased while household incomes have remained largely stagnant.

1.5.2.3 The role of financial advisory professionals
The role of financial advisory professionals in philanthropic decision making has received even less attention than the issue of major donors. At present, their role could best be characterized as modest but growing. Most banks and financial service companies have at least some staff working as ‘philanthropic advisors,’ and a handful of consulting firms across the country specialize in helping Canadians plan their charitable giving activities.

1.6 Other relevant characteristics for Canada
1.6.1 History of fiscal incentives for donations
Since the mid-1990s, numerous changes to federal tax policy have been enacted with the aim of encouraging increased charitable donations. In 1996, the annual deduction limit for charitable donations was raised from 20 percent of net income to 50 percent (100 percent in the case of bequests). For donations
of appreciated capital property, the limit was raised by an additional 50 percent of the taxable portion of the capital gain arising on a donation (Domingue, 1996). A year later, the annual deduction limit was again raised to 75 percent of net income, and the capital gains inclusion rate on donations of publicly traded securities was halved (to 37.5 percent) for donations to operating charities and public foundations (Department of Finance Canada, 2006). By 2007, donations of publicly traded securities and ecologically sensitive land to all types of registered charities were entirely exempt from capital gains tax (Department of Finance Canada, 2007). The most recent tax incentive is the First-Time Donor’s Super Credit (FDSC). Introduced in 2013, the FDSC increases the value of the federal charitable donations tax credit by 25 percentage points for eligible individuals.

1.6.2 History of sector–government relations

The history of sector–government relations in Canada is long and complex (see Elson, 2011). At some times and in some places the relationship has been close and mutually respectful; at other times and in other places, it has been strained and adversarial. The ‘golden era’ of close relations between the sector and the federal government was between 2000 and 2005. This was the period of the Voluntary Sector Initiative (VSI), which one participant recently described as ‘the most ambitious and comprehensive attempt ever made to strengthen the relationship between Canada’s voluntary sector and the federal government’ (Johnston, 2013). In the years since the end of the VSI, the sector’s influence at the federal level has waned considerably. Recently, however, many provincial governments have begun to recognize the importance of the nonprofit sector and thus have made moves to strengthen their relationship with it.

2. Explaining philanthropy in Canada

2.1 Data and methods

For data on demographic patterns of philanthropic giving in Canada, we use the 2004 Canada Survey of Giving, Volunteering, and Participating (CSGVP). Since 1997, the survey has been conducted every three years by Statistics Canada and focuses on four key prosocial behaviors: giving to non-profit and charitable organizations, volunteering for such organizations, providing help to individuals outside the household without involving an organization, and participating as a member of a group or association. The 2004 cycle collected responses from 20,832 Canadians aged 15 and over. The survey was conducted using a Random Digit Dialling platform, with interviewers using a CATI (Computer Assisted Telephone Interview) application to collect responses. Respondents were weighted according to age and province to provide estimates that were more representative of the Canadian population.
Survey respondents are identified as donors based on whether they have used any of 12 specific methods to make a donation to a charitable or nonprofit organization over the one-year period prior to the interview. Those who used any of the methods covered by the survey (or supplied an alternative method not explicitly covered by the survey) are classified as donors. For each donation, donors are asked the name of the organization they made the donation to, the amount they contributed, the method of payment they used (such as cash or credit card) and whether they made the donation alone or jointly with a spouse or partner.4

Donors are identified using the donation method approach because it has been found to produce better respondent recall than more generic questions asking whether respondents donated to charitable and nonprofit organizations, either generally or to particular causes or types of organization. The names of the organizations respondents support are used to allocate donations to the particular subsector they supported. For the purposes of the CSGVP, the nonprofit sector is divided into 14 subsectors (with a 15th catch-all category including organizations not elsewhere classified), based on the International Classification of Non-Profit Organizations (ICNPO) developed by the Comparative Non-profit Project of Johns Hopkins University (Salamon & Anheier, 1996). In 2004, approximately 97.5 percent of the total value of donations could be assigned to one of the 14 specific subsectors, with most of the balance being incorporated into the 15th category of organizations not elsewhere classified.

2.2 Descriptive results

According to the 2004 CSGVP, Canadians donated a total of $8.6 billion (see Table 3.2), which is equivalent to approximately 0.7 percent of total GDP (Statistics Canada, n.d.-c).5 Nearly nine in ten Canadians aged 15 and over (85 percent) made a monetary donation, with the typical Canadian contributing an

<table>
<thead>
<tr>
<th></th>
<th>% Donating</th>
<th>Average unconditional donation ($)</th>
<th>Average conditional donation ($)</th>
<th>Total donation value ($000,000)</th>
<th>% Total donation value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total donations</td>
<td>85</td>
<td>330</td>
<td>387</td>
<td>8,577</td>
<td>100</td>
</tr>
<tr>
<td>Secular donations</td>
<td>81</td>
<td>182</td>
<td>224</td>
<td>4,725</td>
<td>55</td>
</tr>
<tr>
<td>Religious donations</td>
<td>38</td>
<td>148</td>
<td>385</td>
<td>3,852</td>
<td>45</td>
</tr>
</tbody>
</table>
average of $330. Substantially all donors supported secular causes (95 percent of donors and 81 percent of Canadians), while less than half contributed to religious organizations (45 percent of donors and 38 percent of Canadians). Although fewer Canadians donated to religious organizations, the overall levels of support given to the two types of organizations were broadly comparable ($148 for religious versus $182 for secular organizations). This is due to the much larger amounts given to religious organizations by their supporters (the average conditional donation was $385).

Although the vast majority of Canadians donate, most contribute relatively small amounts, as demonstrated by the fact that donors contributed a median amount of just $117 annually. Collectively the 50 percent of donors contributing $117 or less accounted for just 6 percent of the total value of donations (see Figure 3.1). Conversely, the 10 percent of donors contributing the largest amounts ($839 or more) accounted for nearly two thirds of the total value of donations.

In terms of support for specific types of secular organizations, Canadians are most likely to give to health organizations (57 percent donate), although the amounts they contribute tend to be quite small (an average of $82; see Table 3.3). They are somewhat less likely donate to hospitals (18 percent), although the size of the average donation was quite comparable ($86). About two fifths of Canadians donated to social services organizations (43 percent), and they contributed broadly comparable amounts ($78) as supporters of health organizations and hospitals. Grouped together, donations to health

Figure 3.1  Distribution of donors and total donation amount, by amount of donations, Canadians aged 15 and over, 2004 (CSGVP)
Table 3.3  Secular Canadian philanthropic support by subsector, Canadians aged 15 and over, 2004

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>% Donating</th>
<th>Average unconditional donation</th>
<th>Average conditional donation</th>
<th>% Total donation value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>57</td>
<td>$46</td>
<td>$82</td>
<td>14</td>
</tr>
<tr>
<td>Social services</td>
<td>43</td>
<td>$34</td>
<td>$78</td>
<td>10</td>
</tr>
<tr>
<td>Religion</td>
<td>38</td>
<td>$148</td>
<td>$385</td>
<td>43</td>
</tr>
<tr>
<td>Education and research</td>
<td>20</td>
<td>$11</td>
<td>$53</td>
<td>3</td>
</tr>
<tr>
<td>Hospitals</td>
<td>18</td>
<td>$16</td>
<td>$86</td>
<td>5</td>
</tr>
<tr>
<td>Sports and recreation</td>
<td>18</td>
<td>$8</td>
<td>$44</td>
<td>2</td>
</tr>
<tr>
<td>Grant-making and fund-raising</td>
<td>13</td>
<td>$19</td>
<td>$146</td>
<td>6</td>
</tr>
<tr>
<td>Environment</td>
<td>7</td>
<td>$8</td>
<td>$111</td>
<td>2</td>
</tr>
<tr>
<td>International</td>
<td>7</td>
<td>$14</td>
<td>$194</td>
<td>4</td>
</tr>
<tr>
<td>Law, advocacy and politics</td>
<td>6</td>
<td>$4</td>
<td>$76</td>
<td>1</td>
</tr>
<tr>
<td>Arts and culture</td>
<td>3</td>
<td>$7†</td>
<td>$250†</td>
<td>2†</td>
</tr>
<tr>
<td>Development and housing</td>
<td>3</td>
<td>$3†</td>
<td>$96†</td>
<td>1†</td>
</tr>
<tr>
<td>Universities and colleges</td>
<td>1.9</td>
<td>$5</td>
<td>$251</td>
<td>1</td>
</tr>
<tr>
<td>Bus./Prof. Assoc and Unions</td>
<td>0.5</td>
<td>$1†</td>
<td>$136†</td>
<td>0.2†</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>$6†</td>
<td>$182†</td>
<td>2†</td>
</tr>
</tbody>
</table>

Note: † Use with caution.

organizations and hospitals accounted for about 19 percent of total donation value, with social services organizations accounting for another 10 percent.

When the three subsectors previously mentioned are combined with religious organizations, they account for fully three-quarters of the total value of donations in Canada. However, other subsectors beyond these four still receive important levels of support. For instance, sports and recreation organizations (e.g., amateur sports leagues, recreation facilities and service clubs) and grant-making and fund-raising organizations (e.g., private and public foundations, volunteer centers, and collective fund-raising organizations) have sizeable bases of support (18 and 13 percent of Canadians donated to these organizations, respectively). Similarly, although some types of organizations have smaller bases of support, their supporters tend to contribute large amounts – examples include arts and culture organizations and universities and colleges.
2.3 Explaining philanthropic giving in Canada

2.3.1 Incidence of giving

Table 3.4 shows the results of a logistic regression analysis of whether or not Canadians donate. Substantially all of the demographic variables included in the analysis had statistically significant effects on the likelihood of donating, although not all inter-category differences were significant.

The likelihood of donating increases with level of formal education, household income, and frequency of religious attendance. Compared to those who had only a primary education, the odds of donating were roughly twice as large (2.13) among those with some form of secondary education and three and a half times as large (3.51) among those with a university education. Similarly, each $10,000 increase of household income increased the odds of donating by a factor of 1.18, while each increase in the monthly frequency of attending religious services increased the odds of donating by a factor of 1.22.

The likelihood of donating is also higher among those who are 35 and older, female, married and Christian. Compared to those younger than 35, the odds of donating were almost twice as large (1.83) among those aged 35–64 and more than twice as large (2.21) among those 65 and older. While both older groups were more likely to donate than those younger than 35, there was no meaningful difference between those 35–64 and those 65 and older. Being married increases the odds of donating by a factor of 1.66 while being male decreases the odds of donating by a factor of 0.60. The odds of donating among Christians were roughly twice as large as those with no religious affiliation (1.93 for Roman Catholics and 2.44 for Protestants). There were no meaningful differences between Roman Catholics and Protestants in terms of their likelihood of donating.

For most demographic variables, the basic patterns for specifically secular and religious causes are fairly similar to the patterns for giving generally. For example, the likelihood of donating to both causes increases with level of formal educational attainment. The odds of donating were substantially higher among those with a university education (1.86 for religious causes and 3.44 for secular causes) as compared to those with less than a high school education. Similar trends can be seen with most other demographic variables: men were less likely to donate than women, and those who are married were more likely to donate than those who are not. Additionally, the likelihood of giving to secular causes increased with increases in household income, and the likelihood of donating to religious causes increased with increases in the frequency of monthly attendance at religious services. Finally, as with donating generally, those older than 34 are more likely to donate to both secular and religious causes.

With regard to donating to religious causes, the results illustrate a somewhat different picture. Unsurprisingly, those who are affiliated with a particular
### Table 3.4 Logistic regression analysis of making a philanthropic donation, Canadians aged 15 and over, 2004

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th></th>
<th>Religious giving</th>
<th></th>
<th></th>
<th></th>
<th>Secular giving</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>-0.65†</td>
<td>0.06</td>
<td>0.52†</td>
<td>-3.17†</td>
<td>0.00</td>
<td>0.04</td>
<td>-0.77†</td>
<td>0.05</td>
<td>0.46</td>
<td></td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged 35–64</td>
<td>0.61*</td>
<td>0.14</td>
<td>1.83</td>
<td>...</td>
<td></td>
<td>...</td>
<td>0.72*</td>
<td>0.14</td>
<td>2.06</td>
<td></td>
</tr>
<tr>
<td>Aged 65 and over</td>
<td>0.79*</td>
<td>0.29</td>
<td>2.21</td>
<td>0.54†</td>
<td>0.16</td>
<td>1.71†</td>
<td>0.90*</td>
<td>0.27</td>
<td>2.45</td>
<td></td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.76*</td>
<td>0.19</td>
<td>2.13</td>
<td>0.37†</td>
<td>0.12</td>
<td>1.40†</td>
<td>0.81*</td>
<td>0.18</td>
<td>2.24</td>
<td></td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.26*</td>
<td>0.43</td>
<td>3.51</td>
<td>0.62*</td>
<td>0.16</td>
<td>1.86</td>
<td>1.24*</td>
<td>0.36</td>
<td>3.44</td>
<td></td>
</tr>
<tr>
<td>Female (ref.)</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>-0.51*</td>
<td>0.04</td>
<td>0.60</td>
<td>-0.20†</td>
<td>0.05</td>
<td>0.82†</td>
<td>-0.49*</td>
<td>0.04</td>
<td>0.61</td>
<td></td>
</tr>
<tr>
<td>Not married (ref.)</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>0.51*</td>
<td>0.12</td>
<td>1.66</td>
<td>0.29†</td>
<td>0.08</td>
<td>1.33†</td>
<td>0.42*</td>
<td>0.09</td>
<td>1.53</td>
<td></td>
</tr>
<tr>
<td>Household income</td>
<td>0.16*</td>
<td>0.02</td>
<td>1.18</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>0.16*</td>
<td>0.01</td>
<td>1.17</td>
<td></td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.66*</td>
<td>0.18</td>
<td>1.93</td>
<td>1.76*</td>
<td>0.51</td>
<td>5.81</td>
<td>0.56*</td>
<td>0.15</td>
<td>1.76</td>
<td></td>
</tr>
<tr>
<td>Protestant</td>
<td>0.89*</td>
<td>0.25</td>
<td>2.44</td>
<td>1.49*</td>
<td>0.41</td>
<td>4.44</td>
<td>0.65*</td>
<td>0.18</td>
<td>1.91</td>
<td></td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>...</td>
<td></td>
<td>...</td>
<td>1.26*</td>
<td>0.52</td>
<td>3.54</td>
<td>...</td>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religious service attendance</td>
<td>0.20*</td>
<td>0.04</td>
<td>1.22</td>
<td>0.60*</td>
<td>0.04</td>
<td>1.83</td>
<td>...</td>
<td>...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Notes:* * ≤ 0.001, † use with caution, … too unreliable to be published.
religious sect are more likely to donate to religious causes. However, unlike with giving generally and giving to secular causes, there are meaningful differences between religious sects. Roman Catholics were most likely to donate, followed by Protestants and those who are affiliated with some other religious tradition. In addition to the differences between these religious groups and those who are not religious, the differences between each of these religious groups are also statistically significant.

### 2.3.2 Amount donated

Table 3.5 displays the results from a Tobit regression analysis of the natural log of the total amount donated to nonprofit and charitable organizations in 2004. As with the likelihood of donating, the amounts donated tend to increase with age, level of formal education and household income. This analysis predicted that those aged 35–64 would contribute almost twice as much money and those over 64 slightly under two and a half times as much as those 34 and under (see Table 3.5). The picture with regard to education is very similar, with the model predicting that those with a secondary education would give slightly under twice as much, and those with a university education just over two and a half times as much, as those with less than a high school education. The predicted

<table>
<thead>
<tr>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>B</strong></td>
<td><strong>S.E.</strong></td>
<td><strong>B</strong></td>
</tr>
<tr>
<td>Constant</td>
<td>0.34*†</td>
<td>-7.03*</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged 35–64</td>
<td>0.98* 0.05</td>
<td>0.50*† 0.11</td>
</tr>
<tr>
<td>Aged 65 and over</td>
<td>1.55* 0.08</td>
<td>1.43* 0.16</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>1.03* 0.08</td>
<td>0.90* 0.14</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.66* 0.09</td>
<td>1.51* 0.16</td>
</tr>
<tr>
<td>Female (ref.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Male</td>
<td>-0.31* 0.04</td>
<td>...</td>
</tr>
<tr>
<td>Not married (ref.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Married</td>
<td>0.30*† 0.05</td>
<td>0.54*† 0.11</td>
</tr>
<tr>
<td>Household income</td>
<td>0.19* 0.01</td>
<td>0.09*† 0.02</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.33*† 0.07</td>
<td>3.60* 0.17</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.86* 0.08</td>
<td>3.67* 0.18</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>...</td>
<td>3.07* 0.30</td>
</tr>
<tr>
<td>Religious service attendance</td>
<td>0.36* 0.01</td>
<td>1.32* 0.02</td>
</tr>
</tbody>
</table>

Notes: * ≤ 0.001, † use with caution, ... to unreliable to be published.
amount donated would increase by just under 20 percent for each increase of $10,000 in household income. The analysis also predicted that those who are married donate almost a third more than those who are not, while men donate 30 percent less than women. Protestants were predicted to donate about four-fifths more, and Roman Catholics just under a third more, than those with no religious affiliation. As with likelihood of donating, the predicted donation amount increased with frequency of attendance at religious services.

Religious and secular donations exhibit the same general trends. The analysis predicts that donors contribute larger amounts with increased age, education, and household income. For instance, compared to those aged 34 and younger, donors aged 65 and older are predicted to give nearly two thirds more to religious organizations, and just over 150 percent more to secular causes. Similarly, those with a university education are predicted to give nearly two-thirds more to religious organizations and just over 160 percent more to secular causes than those with less than a high school degree. The amount donated to religious causes is predicted to increase by about 4 percent with each increase of $10,000 in household income, while the amount donated to secular causes is predicted to increase by almost a fifth. Those who are married are predicted to give nearly a quarter again as much to religious causes and just over a fifth again as much to secular causes.

Religious affiliation also has significant effects on the amounts given, particularly on donations to religious causes. Those who are affiliated with a particular sect are predicted to give around 120 percent more than those who are not religious. They are also predicted to give somewhat more to secular causes (about a quarter more for Roman Catholics and just over half again as much for Protestants).

3. Conclusion

Canada is a country with strong philanthropic traditions that date back to before the arrival of the first European settlers. These traditions support a large and diverse nonprofit sector that provides Canadians with health care and education, artistic and cultural experiences, and opportunities to participate in sports; fulfills their spiritual needs; helps the poor and the sick as well as the young and the old; and works to protect the natural environment.

As we make our way through the second decade of the 21st century, there are many reasons to be hopeful about the future of philanthropy in Canada. A recent survey found that most Canadians trust charities and think they are important and improve the quality of life in Canada (Lasby & Barr, 2013). The same survey found that younger Canadians generally have more positive attitudes toward charities than older Canadians. The recent introduction of the First-Time Donor’s Super Credit is also a positive development, indicating that the federal government understands the importance of philanthropy.
However, the picture is not entirely rosy for philanthropy in Canada. Survey results also show that a majority of Canadians think too many charities are trying to get donations for the same cause, that they spend too much money on fund-raising, and that they do a less than stellar job of providing information on fund-raising costs and the use of donations. If Canada’s nonprofit organizations do not address these concerns, Canadians may become less generous than they have been in the past.

Notes

1. As of 2003, it was estimated that there were approximately 161,000 nonprofits and registered charities in Canada (Hall, de Wit, et al., 2005). Since then the number of charities registered with Canada Revenue Agency (CRA) has grown from approximately 80,000–86,000. Assuming that growth in the nonprofit sphere has followed a similar trajectory, we estimate that the current number of organizations is at least 170,000.


3. The 2003 cycle of the survey was delayed until 2004 due to labor unrest at Statistics Canada.

4. Because the unit of response is the individual, only half the value of donations made in conjunction with a spouse or partner is counted in computing total donation amounts.

5. Note that all dollar amounts for this section are expressed in terms of 2012 US$. For CSGVP data, Canadian dollars were converted assuming an exchange rate of US$0.812 per Can$1 (the average Bank of Canada noon US$ exchange rate during the survey collection period) and a 2004–2012 Consumer Price Index ratio of 226.665–188.9 (Bank of Canada, n.d.; Bureau of Labour Statistics, 2013). The nominal amount (2004 Can$) was approximately Can$8.9 billion. The percentage of GDP was calculated by comparing nominal donation amounts to GDP in current (i.e., 2004) Can$ prices.

6. This average donation refers to the unconditional donation (i.e., the average amount donated by all Canadians, including the Can$0 donation amounts of non-donors).

7. Religious organizations are defined as religious congregations or other places of worship, monasteries, seminaries and like organizations and associations of these organizations. The category excludes religiously inspired or aligned organizations working in other areas such as hospitals, universities or social services organizations.

8. Unfortunately, as can be seen in Table 3.4, the coefficients of variation were so high with regard to religious giving and household income and secular giving and frequency of attendance at religious services, the estimates had to be suppressed.

References


Giving in the United States: Generous Philanthropy in a Classic Liberal Regime

Eleanor Brown, Christopher J. Einolf and Mark Ottoni-Wilhelm

1. The philanthropic landscape

1.1 History

One reoccurring theme pervades the evolution of the voluntary sector in the United States: a tension between the ideals of individual liberty and private initiative on the one hand, and a fear of concentrated, private power corroding democratic governance on the other hand. From the early years of the republic into the final quarter of the 18th century, voluntary associations were frequently viewed as instruments of private interests that posed a threat to the fledgling democracy. For example, future President James Madison warned the young nation to guard against the potential political influence of ‘factions,’ by which he meant ‘a number of citizens...who are united and actuated by some common impulse of passion, or of interest’ (Hamilton, Madison, & Jay, 1787–1788, p. 10). In the 19th century, however, the French political thinker Alexis de Tocqueville commended US voluntary associations’ role in addressing public needs that in Europe would have been left to noblesse oblige, or to the responsibility of its aristocratic class (Tocqueville, 1848). Nevertheless, the early 20th century echoed 18th-century suspicions of private concentrations of wealth and influence, resulting in political opposition to the establishment of charitable foundations (Bremner, 1988; Hall, 2006). Yet shortly after, the income tax added an exemption for charitable contributions, in hopes of stimulating private largesse as the post-World War I economy reverted to peacetime.

With the US government now larger and better able to hold its own against private interests, World War II and its aftermath gave rise to both the public and the voluntary sectors of contemporary American society. Two policy developments were particularly formative for the voluntary sector. First, the revenue demands of World War II expanded the scope of the personal income tax from
a tax on the rich to a tax on most American households; from 1939 to 1946, the number of federal personal income tax returns soared from fewer than eight million to more than 50 million (Hollenbeck & Kahr, 2008). This policy thus set the stage for tax-incentivized giving by middle class as well as wealthy households. Second, in 1954, the Internal Revenue Code promulgated Section 501(c), elaborating the conditions under which nonprofit entities could incorporate and the tax advantages to which they were entitled. The number of tax-exempt nonprofit organizations increased from several thousand in 1950 to a quarter of a million by 1968 (Hall, 2006).

1.2 Size and scope of the nonprofit sector in the United States

By 2011, the number of tax-exempt nonprofit organizations registered with the Internal Revenue Service (IRS) had grown to more than 1.6 million. In the taxonomy of Salamon and Anheier (1998), the United States is a classic example of a liberal regime, with a relatively small government sector and a vibrant nonprofit sector, as typical of countries with a politically strong middle class. In the US, public social expenditures amount to about 16 percent of the gross domestic product (GDP), ranking among the bottom third of Organization of Economic Co-operation and Development countries (OECD). The nonprofit sector is estimated to account for roughly 5 percent of GDP (Wing, Pollak, & Blackwood, 2008).

More than a million of these registered nonprofits are classified by the Internal Revenue Service as 501(c)(3) organizations. This designation is reserved for organizations devoted to charitable, religious, scientific, educational, literary or similar purposes, and it allows contributions to nonprofits to be deducted from income in calculating personal income tax liabilities. As such, citizens frequently think of this designation when speaking of charitable giving or charitable nonprofits in the United States. Although health care is not an enumerated charitable purpose under 501(c)(3), hospitals in the US were historically charitable institutions; thus, the tax law has evolved to keep many hospitals and other medical organizations under the charitable umbrella. When measured in terms of revenue or assets, the US nonprofit sector is dominated by universities and other educational institutions and by hospitals and other health-related organizations.

Religious congregations, along with nonprofits with annual revenue less than US$5,000, are not required to register with the IRS (Wing et al., 2008); consequently, they are omitted from tallies of the size and scope of the nonprofit sector as reflected in IRS data. Among registered nonprofits, only those with annual revenue of at least US$25,000 are required to file annual reports with the IRS. These reporting organizations, numbering to just over half a million in 2005, accounted for US$1.9 trillion in annual revenue and US$3.9 trillion in assets (as measured in 2012 US$).
1.3 Government policy in the nonprofit sector

1.3.1 Government support

The government supports the nonprofit sector financially through tax breaks and grants for service provision. Outside of higher education and hospitals (which generate substantial fees for service), government funding is a substantial source of revenue for charitable nonprofits, representing about 17 percent of all revenues (Wing et al., 2008). With universities and hospitals included, government grants’ share of revenue reduces to 9 percent.

1.3.2 Fiscal incentives

The United States federal government levies both personal and corporate income taxes, and the nonprofit sector enjoys tax relief from both. All 501(c) organizations are exempt from corporate income tax, although they must pay tax on revenue generated from activities unrelated to their charitable mission. Additionally, contributions to 501(c) (3) organizations are deductible from personal income for households whose deductible expenses entitle them to additional tax relief, more so than the standard deduction based on household composition and filing status. Because the personal income tax rate structure is generally progressive (with statutory marginal tax rates ranging from 10 percent to 35 percent in 2012), and because higher-income households are more likely to have significant deductible expenses (such as mortgage interest and state and local income taxes), this subsidy structure tends to give larger tax breaks to higher-income households for their charitable contributions. In 2008, 39.3 million tax returns (28 percent of all returns) claimed charitable deductions, representing an overall tax subsidy of US$47 billion (51 billion 2012 US$) (Internal Revenue Service, 2010).

1.4 Regulation of the nonprofit sector

There is relatively little regulation of fund-raising in the United States, either through government action or through voluntary self-regulation. The United States has a federal government structure, with both the 50 state governments and the national government playing a role in regulating nonprofits. Nonprofit self-regulation is weak; however, the media and charity watchdog groups help regulate nonprofits’ behavior by providing the public with information about fund-raising and administrative expenses as well as wasteful and fraudulent behavior.

1.4.1 Government regulation

Most states require nonprofits to register with the state government, and many require nonprofits to file annual financial reports (Barber, 2012). The Attorney General of each state can investigate charities suspected of fraud or other
criminal wrongdoing. Some states have tried to limit the amount that charities can spend on fund-raising and administrative costs through legislation, but the Supreme Court struck down these laws in the 1980s as a violation of the constitutional right to freedom of speech (Barber, 2012). State governments have the responsibility of ensuring that nonprofits follow all restrictions or instructions that donors place on gifts. However, a charity can petition the state to modify the intent of a donor’s bequest if the charity can show that changed circumstances have made it ‘impossible, impracticable, unlawful, or wasteful’ to carry out the late donor’s instructions.

The national government regulates nonprofits through the Internal Revenue Service (IRS). The IRS requires nonprofits to submit annual financial reports, called Form 990s, and to make them available to the public; the Guidestar organization publishes these reports on its website (www.guidestar.org). The IRS investigates nonprofits that it suspects exist only to enrich their staff and boards, but it does not investigate excessive expenses or poor management (Simon, Dale, & Chisholm, 2006).

The Federal Trade Commission prosecutes criminal operations that pose as charities, but does not regulate legitimate charities (Brody, 1996; Barber, 2012). The Patriot Act, passed in 2001 after the September 11 attacks, allows the Treasury department to freeze the assets of charities that support overseas terrorist activity, and the IRS usually strips these charities of 501(c)(3) status. The Treasury Department has named numerous overseas charities as terrorist supporters, but has only frozen the assets of nine US-based charities to date (Turner, 2011).

Estimating the frequency of fraud, embezzlement and theft among nonprofit organizations is impossible because most incidents go unreported. One analysis found 152 reported incidents of misconduct between 1995 and 2002 (Fishman, 2006), while another, limited to health and human services nonprofits, found 35 scandals reported in the years 2001–2004. Of these scandals, 14 involved theft and embezzlement, six involved fraudulent nonprofits that raised funds but did not give them to beneficiaries, four involved CEOs who spent organization funds on items primarily for their personal benefit and three were Ponzi schemes (Gibelman & Gelman, 2004).

1.4.2 Self-regulation and private monitoring

Several umbrella organizations offer a code of ethics for nonprofits, including Independent Sector (2007), the Association of Fundraising Professionals (2007) and some state-level associations of nonprofits. Adherence to these codes is optional, and the organizations do not audit members to determine whether they comply with the codes.

Several organizations operate websites which provide information about nonprofits’ fund-raising practices. Of these, the best known are Charity Navigator (www.charitynavigator.com) and the Better Business Bureau’s Wise Giving
Alliance (www.bbb.org/us/Wise-Giving). Charity Navigator generates a four-star rating system for many nonprofits using information from their tax filings, which are publicly available. Charity Navigator’s star system relies primarily upon amounts and ratios to determine how many stars it grants, such as the percentage of budget that goes to administrative costs and the percentage of money in a fund-raising campaign that goes toward fund-raising costs. The Better Business Bureau, an organization well known in the United States for certifying for-profit businesses, certifies many large nonprofits through its ‘Wise Giving Alliance,’ which thereby allows them to use its ‘Seal of Approval’ on fund-raising documents. The Better Business Bureau evaluates fewer charities than Charity Navigator, but analyzes many aspects of charities’ operations (not just ratios from their form 990s) to determine its ratings.

Charity Navigator rates charities on a sliding scale, but states that charities should spend an absolute maximum of 30 percent of their budget on administrative and management expenses and no more than 25 percent of their budget on fund-raising. In comparison, the Better Business Bureau requires charities to spend a maximum of 35 percent on administrative and management expenses and no more than 35 percent of related contributions on fund-raising. Most large charities meet or exceed these guidelines. One study has found that changes in ratings have no effect on donations (Szper & Prakash, 2011), while another found that positive ratings help increase donations, but negative ratings have no effect (Sloan, 2009).

1.5 Culture

1.5.1 Religion

The United States is both a very religious country and a country with much religious diversity. Survey data from 2010 shows that 77.4 percent of the US population attends religious services at least once a year and 25.9 percent attend them weekly or more often (General Social Survey, 2010). Data from 2008 shows that the US population is 51.3 percent Protestant, 23.9 percent Catholic, 1.7 percent Church of the Latter Day Saints (Mormon), 0.7 percent Jehovah’s Witness, 0.6 percent Eastern Orthodox, 0.3 percent other Christian, 1.7 percent Jewish, 0.7 percent Buddhist, 0.6 percent Muslim, 0.4 percent Hindu and 1.2 percent of other faiths, with 16.1 percent reporting themselves as atheist (1.6 percent), agnostic (2.4 percent) or unaffiliated (12.1 percent). Of the 51.3 percent of Americans who are Protestant, 26.3 percent of the total population belong to evangelical or conservative churches, 18.1 percent belong to ‘mainline’ or more liberal churches and 6.9 percent belong to churches that are historically African-American (The Pew Forum on Religion and Public Life, 2008).
Religious congregations receive 32 percent of charitable donations in the United States (Giving USA, 2012). Religious giving is highest among members of conservative, tight-knit religious denominations such as the Mormons, Jehovah’s Witnesses, Baptists and evangelical Protestants, followed by members of more liberal Protestant denominations and then Catholics (Lincoln, Morrissey, & Mundey, 2008).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

A 2010 survey of nonprofits (Nonprofit Research Collaborative, 2011) found that the most common methods of fund-raising were asking board members to contribute (87 percent of responding organizations used this method), followed by special events (80 percent), foundation grants (79 percent), direct mail and e-mail (78 percent), corporate giving (77 percent) and online giving (74 percent). Only 42 percent of organizations used planned giving, 41 percent received contributions through payroll deductions, and 18 percent raised funds over the phone.

The foundation sector is strong in the United States. With over 76,000 foundations, the sector gave away a total of US$45.7 billion in 2010 (Foundation Center, 2011). Foundation giving accounted for 14 percent of all donations in 2011 (Giving USA, 2012). About 90 percent of foundations are independent grant-making foundations, 4 percent are corporate, 3 percent are operating foundations that fund their own programs and 1 percent are community foundations.

There are two major combined campaigns that raise funds in places of work: the United Way and the Combined Federal Campaign. The United Way has over 160 chapters in cities across the United States, and raises funds through coordinated drives in workplaces. In 2010, it raised US$4.02 billion (www.unitedway.org). The Combined Federal Campaign solicits money from people who work for the national government; in 2010 the campaign raised US$281.5 million for over 25,000 charities (www.opm.gov/cfc).

Planned giving is also a common source of income for nonprofits, and the tax code allows elderly donors to set up schemes to allow them to realize tax benefits from bequests in their lifetimes. However, relatively few charities use planned giving as a fund-raising strategy (42 percent), and even fewer individuals leave planned gifts. A national survey of the elderly found that only about 10 percent of donors over the age of 50 have a charitable bequest provision in their will (James III, 2009). Most donors do not use the complex tax schemes and just leave simple bequests to nonprofits in their wills. Wealthy donors are more likely to use planned giving instruments. A 2010 study of high net-worth donors found that 46.5 percent have charitable provisions in their
wills, 20.9 percent have endowment funds, 17.5 percent have donor-advised funds, 15.0 percent have charitable trusts or annuities and 12.0 percent have private foundations (Center on Philanthropy, 2010).

1.5.2.2 Major donors
It is not surprising to find major donors in a country whose richest 400 couples and individuals control a combined fortune of US$2 trillion (Giving USA, 2014). Philanthropy in the United States features both large gifts and generous donors.

While extremely large gifts represent only a modest proportion of all philanthropic activity in the United States – gifts of US$80 million or more accounted for 1.3 percent of total giving in 2013 (Daniels, 2014) – they are especially important to institutions with large capital projects, such as universities and hospitals, and to the maintenance of cultural organizations with high operating costs, such as symphonies and operas. Among the gifts of more than US$1 million tracked by the Million Dollar Gift List in 2013, nearly 61 percent went to higher education, while 9 percent went to health organizations and 8 percent went to organizations that sponsor the arts, culture and humanities (Giving USA, 2014).

Some large gifts come from philanthropists who actively manage their charitable giving; others come from persons whose only significant giving comes through their estates. All together, the 50 most generous donors in 2013 gave US$7.7 billion to philanthropic causes. Of these 50, 41 were living persons; the other nine, whose gifts accounted for US$1.5 billion of the total, chose to give through their estates. Of these nine major donors who chose to leave very large charitable bequests (the smallest is US$37.5 million), one had given away hundreds of millions of dollars during his lifetime, three had previously given away several millions of dollars and the rest had not been major donors during their lifetimes (Chronicle of Philanthropy, 2014).

To encourage large-scale philanthropy among America’s super-rich, billionaires Warren Buffet and Bill and Melinda Gates introduced The Giving Pledge. Signatories are billionaires who affirm that they will give away more than half of their fortunes, either during their lifetimes or in their wills, to address pressing societal problems. Of the 21 living Americans who gave away at least US$100 million in 2013, 13 are persons who have signed the Giving Pledge. Of the 27 living Americans on the 2013 list of 50 major donors who had also appeared on the list in previous years, 16 are signatories of the Giving Pledge, and of the 11 people who have been among America’s 50 biggest donors in more than five years, all but two have signed the Giving Pledge (Chronicle of Philanthropy, 2014, Givingpledge.org). As of 2011, 69 billionaires, or 17 percent of the 413 billionaires in the United States, had pledged to devote more than half their fortune to philanthropy
Eleanor Brown et al. 51

(Giving USA, 2012). The pledge now invites commitments from billionaires worldwide.

1.5.2.3 The role of financial advisory professionals

Labor Department statistics (O*Net OnLine, 2013a, 2013b) place the number of public relations and fund-raising managers in 2011 at 53,200, and the number of fund-raisers at 179,000. Fund-raising managers have a median annual salary of US$93,310, but the broader category of fund-raisers has a much lower median salary – only US$32,400. A non-representative members’ survey by the Association of Fundraising Professionals placed the average annual salary of members at US$76,482.

Several professional organizations represent or include fund-raisers. The Association of Fundraising Professionals (www.afpnet.org) has nearly 30,000 members and 177 local chapters. Over 64,000 employees of schools and universities belong to the Council for Advancement and Support of Education (www.case.org), a number that also includes people who work in marketing, alumni relations and communications, and 5,000 people belong to the Association for Healthcare Philanthropy (www.ahp.org). The Council on Foundations has 1,700 grantmaking foundations as institutional members.

The main professional publication is the Chronicle of Philanthropy, and there are academic publications that publish articles on charitable giving, including the Nonprofit and Voluntary Sector Quarterly, Nonprofit Management and Leadership and Voluntas. The Giving Institute, a membership association for for-profit fund-raising companies, publishes ‘Giving USA,’ an annual report on fund-raising trends.

A number of universities offer advanced degrees in nonprofit management, which include courses in fund-raising, and Indiana University offers a doctoral degree in Philanthropic Studies. The Association for Healthcare Philanthropy and the Association of Fundraising Professionals offers a Certificate in Fund Raising Executive (CFRE) for fund-raisers who pay a fee and pass a multiple choice exam. There are 4,422 fund-raisers in the United States who are CFRE certified (www.cfre.org).

In addition to professional fund-raisers, high net-worth donors work with accountants, lawyers and financial advisors to direct their gifts and maximize the tax benefits from their donations. A study of high net-worth donors (Center on Philanthropy, 2010) found that many consulted with financial professionals about their giving decisions. The most common person consulted was an accountant (67.5 percent), followed by an attorney (40.8 percent), a financial advisor (38.8 percent), nonprofit personnel (24.1 percent), community foundation staff (18.1 percent) and bank or trust company staff (12.1 percent). The donor initiated the contact with the attorney, accountant or financial advisor over 90 percent of the time.
There are two associations of professional advisors for philanthropists: the National Network of Consultants to Grantmakers (www.nncg.org), with 13 institutional and 73 individual members, and the International Association of Advisors in Philanthropy (www.advisorsinphilanthropy.org), with 275 individual members.

2. Explaining philanthropy in the United States

2.1 Data and methods

The data describing giving in the United States comes from the 2005 wave of the Philanthropy Panel Study (PPS; Wilhelm, Brown, Rooney, & Steinberg, 2005). The PPS is a module in the Panel Study of Income Dynamics (PSID; Stafford et al., 2005), a genealogical longitudinal study begun in 1968. The original 1968 sample contained two sub-samples: 2,930 families from a nationally representative sampling frame and 1,872 families from an over-sample of low-income families in the metropolitan North and the rural South. An immigrant refresher sample of 441 families was added in 1997. The PSID exerts considerable effort to mitigate attrition; it pays families US$60 per wave for participating and sends them a regular newsletter. Also, there is extensive re-contact of families who have become non-response. As a result, the wave-to-wave response rate is 96 percent or higher. The PSID interviews participants using Computer Assisted Telephone Interviewing. The 2005 interview asks income and charitable giving questions about the 2004 calendar year. The study’s unit of analysis is the ‘Family Unit’ defined to be a (a) legally married or cohabiting couple or (b) a single person, plus the persons (i) living together with (a) or (b) in the same house/apartment and (ii) living as family (being related by blood, marriage, or romantic relationship as well as being economically interdependent).

The PPS measures donations by first asking if the respondent’s Family Unit gave money, assets or property/goods worth more than US$25 to religious or charitable organizations. The US$25 threshold gives the respondent a socially acceptable way to say ‘no.’ If the family gave more than US$25, then the respondent is asked about donations for religious purposes or spiritual development, such as to churches, synagogues, mosques and television or radio ministries. If the family has donated to these ‘religious congregations,’ as we refer to them, the respondent is asked the amount. If the respondent cannot recall the amount, he/she is asked a series of unfolding bracket questions that allow us to put a lower and upper bound on the amount given. Then, the respondent is asked about donations to ten different types of charitable organizations, other than congregations, whose purposes are: Combined-purpose (like the United Way), Basic needs, Health, Education, Youth and Family Services, Arts/Culture/Ethnic Awareness, Neighborhoods and Communities, Environment, International Aid and an open-ended ‘Other’ category. Finally, the 2005
study asked respondents about their donations to help the victims of the East Asian tsunami that struck at the very end of 2004. Our measure of giving to ‘charitable organizations’ combines the donations to all ten purposes and the tsunami relief giving. For each charitable purpose the questions were the same: Did you (or anyone in your Family Unit) give? If yes, then what was the amount? If the respondent could not recall the amount, then unfolding bracket questions were presented. Given the extensive training of the PSID interviewers, the years of experience of respondents in answering such dollar-amount questions and the use of unfolding brackets, very rarely did the study have missing data for amounts given (Wilhelm, 2007). Therefore, if any of the 12 types of giving are missing, we have set that type to zero. There are 8,002 families in the 2005 PSID, and 7,823 were asked the PPS questions. In the regression analyses we case-wise delete 572 (7.1 percent of the sample), mostly due to missing education.

2.2 Descriptive results
The descriptive statistics and model estimates we present from the PPS are weighted to adjust for the unequal probability of selection into the original 1968 low-income over-sample, the 1997 immigrant refresher and attrition. All amounts are in 2012 US dollars. In 2004, individuals in the United States donated US$240.9 billion, about 1.7 percent of Gross Domestic Product (Giving USA, 2007). Table 4.1 (bottom row) indicates that 70 percent of US families contribute to that total by donating more than US$25 to at least one charitable organization or religious congregation. Sixty-one percent of US families donate to at least one charitable organization other than a congregation, and on average these donating families give US$1,133. Among charitable organizations, US families most frequently give to basic needs (food, shelter and basic necessities for people in need), combined purposes (much of which helps people in need; see Rooney & Brown, 2007), tsunami relief and health (e.g., medical research, hospitals, nursing homes, cancer, heart and lung associations). Between 23 percent and 29 percent of US families give to these types of charitable purposes, with conditional amounts averaging from US$153 to US$607. The next most frequent donations are to education (such as colleges, grade schools, PTAs, libraries or scholarships) and youth and family services (such as scouting, boys’ and girls’ clubs, sports leagues, Big Brothers or Sisters, foster care or family counseling). Sixteen and 13 percent, respectively, donate on average US$598 and US$227. Least frequent are donations for the purposes of the environment, culture and arts, neighborhoods and community and international relief. In each case, 9 percent or fewer US families make donations. However, among families that do donate, average amounts range from US$222 to US$417. Almost half of US families (46 percent) give to religious congregations, and among them the average amount given is US$2,269. Because giving
Table 4.1 Percentage donors and average amount donated among donors to different charitable sectors in the United States in 2004 (N = 7,823; PPS, 2005)

<table>
<thead>
<tr>
<th>Charitable organization or religious congregations</th>
<th>% Donors</th>
<th>Conditional donation in US dollars¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable organizations</td>
<td>61</td>
<td>1,133</td>
</tr>
<tr>
<td>Health</td>
<td>23</td>
<td>312</td>
</tr>
<tr>
<td>International relief</td>
<td>5</td>
<td>417</td>
</tr>
<tr>
<td>Environment and animals</td>
<td>9</td>
<td>222</td>
</tr>
<tr>
<td>Basic needs</td>
<td>29</td>
<td>583</td>
</tr>
<tr>
<td>Youth and family services</td>
<td>13</td>
<td>227</td>
</tr>
<tr>
<td>Combination purposes</td>
<td>28</td>
<td>607</td>
</tr>
<tr>
<td>Culture and arts</td>
<td>8</td>
<td>331</td>
</tr>
<tr>
<td>Neighborhoods and community</td>
<td>6</td>
<td>285</td>
</tr>
<tr>
<td>Education</td>
<td>16</td>
<td>598</td>
</tr>
<tr>
<td>Tsunami relief</td>
<td>27</td>
<td>153</td>
</tr>
<tr>
<td>Other purposes</td>
<td>8</td>
<td>567</td>
</tr>
<tr>
<td>Religious congregations</td>
<td>46</td>
<td>2,269</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>2,486</td>
</tr>
</tbody>
</table>

Notes: ¹The average conditional donation is averaged only among families that donate. The average unconditional donation, would be averaged among all families, including those that do not donate. The average unconditional donation equals (Column 1/100) times (Column 2). For example, the unconditional average amount donated to charities is (61/100) US$1,133 = US$691.

Furthermore, it is important to note that, in charitable giving statistics, the average amounts are always much larger than the medians. For example, the median family (among families that give to at least one religious congregation) gives US$840, much less than the US$2,269 average. This difference is because a relatively small percentage of families give very large amounts: 5 percent of US families give US$5,760 or more to religious congregations. Among families that give to charitable organizations other than congregations the median family gives US$408, and 5 percent of US families give US$2,940 or more.

2.3 Explaining philanthropic giving in the United States

We next describe the relationships between giving and the social, demographic and economic characteristics of US households.

2.3.1 Incidence of giving

Table 4.2 displays estimates from four models that describe the probability that a family gives. First, columns 1–3 are estimates from a logit model that describes
Table 4.2  Regression analysis of making a philanthropic donation in the United States in 2004 (N = 7,251; PPS, 2005)

<table>
<thead>
<tr>
<th></th>
<th>Whether give to either charitable organizations</th>
<th>Whether give to charitable organizations</th>
<th>Whether give to religious congregations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1 (Logit)</td>
<td>Model 2 (Logit)</td>
<td>Model 3 (Linear probability)</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Aged 35–65</td>
<td>0.43**</td>
<td>0.09</td>
<td>1.54</td>
</tr>
<tr>
<td>Age over 65</td>
<td>0.65**</td>
<td>0.13</td>
<td>1.91</td>
</tr>
<tr>
<td>High school education</td>
<td>0.92**</td>
<td>0.10</td>
<td>2.51</td>
</tr>
<tr>
<td>College education</td>
<td>1.91**</td>
<td>0.13</td>
<td>6.74</td>
</tr>
<tr>
<td>Male (respondent)</td>
<td>−0.02</td>
<td>0.08</td>
<td>0.98</td>
</tr>
<tr>
<td>Single man</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married or cohabiting</td>
<td>0.54**</td>
<td>0.08</td>
<td>1.71</td>
</tr>
<tr>
<td>Married – legally</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cohabitng</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log of pre-tax income$^1$</td>
<td></td>
<td>2.11</td>
<td>0.13**</td>
</tr>
<tr>
<td></td>
<td>Whether give to either charitable organizations or to religious congregations</td>
<td>Whether give to charitable organizations</td>
<td>Whether give to religious congregations</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Model 1 (Logit)</td>
<td>Model 2 (Logit)</td>
<td>Model 3 (Linear probability)</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.91**</td>
<td>0.08</td>
<td>2.48</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.40**</td>
<td>0.13</td>
<td>1.49</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.23(+)</td>
<td>0.12</td>
<td>1.26</td>
</tr>
<tr>
<td>Jewish (respondent)</td>
<td>0.09</td>
<td>0.04</td>
<td>0.23</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.77**</td>
<td>0.21</td>
<td>2.17</td>
</tr>
<tr>
<td>Other relig. affiliation (not Jewish)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religious service attendance²</td>
<td>0.19**</td>
<td>0.03</td>
<td>1.21</td>
</tr>
<tr>
<td>Constant</td>
<td>−1.96**</td>
<td>0.15</td>
<td>0.14</td>
</tr>
</tbody>
</table>

Notes: The dependent variables are whether or not the Family Unit gave more than US$25 in 2004. Columns 1–3 are estimates (not marginal effects), standard errors, and odds ratios from a logit model of whether the family gave to either charitable organizations or religious congregations. Column 4 contains odds ratios from a second logit model that also includes log income. Columns 5–6 and 7–8 are estimates of marginal effects and standard errors from linear probability models of, respectively, whether the family gave to charitable organizations and religious congregations.

1 The logarithm of pre-tax household income in US dollars/10,000; ² Religious service attendance in times a month. (+) p < 0.10, *p < 0.05, **p < 0.01.
the probability of giving to either charitable organizations or religious congregations. Second, column 4 contains estimated odds ratios from a second logit model (Model 2) that adds the logarithm of income to the specification. Third, columns 5–6 (Model 3) are estimates from a linear probability model describing the probability of giving specifically to charitable organizations other than congregations. Fourth, columns 7–8 (Model 4) are estimates from a linear probability model describing the probability of giving to religious congregations. The logit model describing charitable and religious giving in columns 1–3 omits income, because the logit estimation algorithm does not converge with income specified in levels. The reason the logit algorithm does not converge is that the logarithm of income better describes the probability of giving because for families with high income, the probability of giving is so close to 1.0 that yet higher income cannot increase the probability of giving very much. For comparability with specifications in the other country chapters in which income in levels is sometimes insignificant, columns 1–3 present the logit model without the income in levels control. The odds ratios indicate the probability of giving either to charitable organizations or to religious congregations is higher among those who are older, educated, married or cohabiting, home owners, religiously affiliated and who attend religious services more frequently. Re-estimating the logit model with a log income control (Model 2) reduces the odds ratios for those who are aged 35–65, educated, married or cohabiting, and home owners, while increasing the odds ratios for those aged over 65.

Because giving to charitable organizations and to religious congregations should be considered separately, we estimate separate models in columns 5–6 and 7–8. We also change three of the independent variables: we model families headed by a single man (instead of an indicator that the respondent for the family is male), include separate variables for legally married and cohabiting partners (rather than combining both into one category) and include a separate control for Jewish respondents (rather than combining them into the ‘other religious affiliation’ category). Each of these changes – separate estimation of charitable and religious giving and re-specifying the three independent variables – leads to important differences in the interpretation of results compared to Models 1 and 2. Estimates from linear probability models are also easier to interpret because the estimates themselves are marginal effects. For example, column 5 indicates that single men are 9 percentage points less likely to give to charitable organizations (relative to the reference group single women), but column 7 indicates single men are only 4 percentage points less likely to give to religious congregations. Many other estimates are very different between the charitable organization and religious congregation models. The college educated are 27 percentage points more likely to give to charitable organizations (relative to the reference group of those with less than high school education), but only 16 percentage points more likely to give to religious congregations. Legally married couples are no more likely to give to charitable organizations
(than the reference group single women), but are 8 percentage points more likely to give to religious congregations. Cohabiting couples are less likely to give to both charitable organizations and religious congregations, by 10 and 7 percentage points, respectively. Jewish families are 9 percentage points more likely to give to charitable organizations (relative to the reference group of families not religiously affiliated). A 10 percent increase in income is associated with a 1.3 percentage point increase in the probability of giving to a charitable organization, but is associated only half as strongly (0.6 percentage points) with the probability of giving to a religious congregation.

### 2.3.2 Amount donated

Table 4.3 columns 1–2 display estimates from a Tobit model that describes the natural logarithm of the amount families give to charitable organizations and religious congregations combined. For comparability with the other country chapters, column 1 presents the raw Tobit estimates (these cannot be interpreted as marginal effects) and the independent variables are specified as in columns 1–3 in Table 4.2. To make interpretation easier, columns 3 and 5 present marginal effects from (respectively) a Tobit model that describes giving to charitable organizations and a Tobit model that describes giving to religious congregations. In these two models the independent variables are specified as in columns 5–8 in Table 4.2. Beginning with the results for the log amount given to charitable organizations and religious congregations combined (Model 1), amounts given are positively associated with age, education, marriage or cohabitation, home ownership, religious affiliation and religious service attendance. Surprisingly, income in levels is not significantly associated with the log amount given. If we replace the income variable with the logarithm of income, a specification that better fits the data, we find a significantly positive relationship between (log) income and giving ($p < 0.001$; not shown).

Turning to separate models describing the log amounts given to charitable organizations (Model 2) and religious congregations (Model 3), those aged 35–65 give 49 percent more to charitable organizations and 73 percent more to religious congregations than the reference group of those 34 years old and younger. Once again, separate estimation of giving to charitable organizations and religious congregations leads to different interpretation of the results. For example, the age gradient is less steep for amounts given to charitable organizations than it is for amounts given to religious congregations; however, the education gradient is steeper for charitable organizations than religious congregations. As another example, a 10 percent higher income is associated with 11.9 percent higher amounts given to charitable organizations but only 6.4 percent higher amounts given to religious congregations. Moreover, when re-specifying the single man, legally married versus cohabiting, and Jewish family variables,
Table 4.3  Tobit regression analyses of the natural log of amounts donated in the United States in 2004 (N = 7,251; PPS, 2005)

<table>
<thead>
<tr>
<th></th>
<th>Log amount to charitable organizations and religious congregations</th>
<th>Log amount to charitable organizations</th>
<th>Log amount to religious congregations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
<td>Model 3</td>
</tr>
<tr>
<td></td>
<td><strong>B</strong></td>
<td><strong>S.E.</strong></td>
<td><strong>Marginal effect</strong></td>
</tr>
<tr>
<td>Age 35–65</td>
<td>1.18**</td>
<td>0.16</td>
<td>0.49**</td>
</tr>
<tr>
<td>Age over 65</td>
<td>1.86**</td>
<td>0.21</td>
<td>1.35**</td>
</tr>
<tr>
<td>High school education</td>
<td>2.09**</td>
<td>0.21</td>
<td>1.14**</td>
</tr>
<tr>
<td>College education</td>
<td>3.85**</td>
<td>0.24</td>
<td>2.19**</td>
</tr>
<tr>
<td>Male (respondent)</td>
<td>−0.03</td>
<td>0.12</td>
<td>−0.63**</td>
</tr>
<tr>
<td>Single man</td>
<td>1.18**</td>
<td>0.16</td>
<td>−0.11</td>
</tr>
<tr>
<td>Married or cohabiting</td>
<td></td>
<td></td>
<td>−0.81**</td>
</tr>
<tr>
<td>Pre-tax income</td>
<td>0.02</td>
<td>0.02</td>
<td>1.19**</td>
</tr>
<tr>
<td>Home ownership</td>
<td>2.09**</td>
<td>0.17</td>
<td>0.74**</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.92**</td>
<td>0.22</td>
<td>0.22</td>
</tr>
<tr>
<td>Jewish (respondent)</td>
<td>0.87**</td>
<td>0.27</td>
<td>0.00</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>1.62**</td>
<td>0.31</td>
<td>0.87**</td>
</tr>
<tr>
<td>Other relig. affiliation (not Jewish)</td>
<td>0.44</td>
<td>0.27</td>
<td>0.44</td>
</tr>
<tr>
<td>Religious service attendance</td>
<td>0.23**</td>
<td>0.02</td>
<td>0.23**</td>
</tr>
<tr>
<td>Constant</td>
<td>−2.88**</td>
<td>0.29</td>
<td></td>
</tr>
</tbody>
</table>

Notes: The dependent variable is the logarithm of amounts given in 2004. Columns 1–2 are estimates (not marginal effects) and standard errors from a Tobit model of the log amount the family gave to both charitable organizations and religious congregations. Columns 3–4 and 5–6 are estimates of the average marginal effects and standard errors from Tobit models of, respectively, the log amounts the family gave to charitable organizations and religious congregations. 1 Pre-tax household income in US dollars/10,000; 2 Religious service attendance in times a month. (+) p < 0.10, *p < 0.05, **p < 0.01.
the results are qualitatively similar to results seen in Table 4.2. Relative to single women, single men give 63 percent less to charitable organizations but only 42 percent less to religious congregations. For amounts given to charitable organizations, legally married couples are not significantly different from single women; however, these couples give 56 percent more to religious congregations. Cohabiting couples give less to both (81 percent and 90 percent less, respectively). Jewish families give 87 percent more to charitable organizations than non-affiliated families do, but the differences between non-affiliated families and Roman Catholic, Protestant and other religiously affiliated families are not significant.

3. Conclusion

As a classic liberal regime (Salamon & Anheier, 1998), the United States has a strong and relatively unregulated nonprofit sector as well as high participation in charitable giving. Compared to other industrialized democracies, the United States has a weak central government, less social welfare program spending, and lower taxes on the wealthy. These governmental features assist the development of the nonprofit sector, while the nonprofit sector provides services that in other industrialized countries the government provides.

Our regression results found that giving to charitable organizations combined with giving to religious congregations is positively associated with age, education, being legally married or cohabiting, homeownership, being religiously affiliated and attending religious services. In the standardized specification applied to US data, giving is neither linearly related to income nor lower among male respondents. Interestingly, families with religious affiliation other than Catholic or Protestant give more than Catholic and Protestant families.

Although descriptive regressions of giving have been available previously, our work underscores several specification issues that are important to understanding charitable giving in the United States: (a) separately modeling giving to charitable organizations from giving to religious congregations, (b) modeling giving by using the logarithm of income rather than a linear function of income, (c) carefully modeling family structure and (d) separately modeling Jewish families rather than combining them along with other religiously affiliated non-Christian families. In each of these four cases, the proper specification made a difference in the substantive results. There are several examples that support this claim. First, giving to charitable organizations is much more strongly related to education and (log) income than is giving to religious congregations. Second, legally married couples are not significantly different from similarly situated single women in their giving to charitable organizations; however, legally married couples give significantly more (in both the statistical and the practical sense) to religious congregations. In contrast, cohabiting
couples give significantly less than single women to both charitable organizations and religious congregations. In terms of their giving, cohabiting couples behave more like single men than like single women or legally married couples.

The regression results thus show the importance of religion in American giving. Giving is associated with both religious affiliation and religious attendance, the relationship being (unsurprisingly) stronger with giving to religious congregations. Jewish families give significantly more (again both statistically and in practical terms) to charitable organizations than do Catholic and Protestant families, yet no significant or practical differences exist across Jewish, Catholic and Protestant families in their giving to religious congregations. In addition to high levels of religious affiliation and attendance, the high level of religious diversity within the United States may contribute to its high levels of religious giving (Wiepking, Bekkers, & Osili, 2014).

Overall, the government plays a weak role in regulating either religion or nonprofits in the United States, which partially explains the strength of its nonprofit sector. The federal government provides the sector with modest assistance in the form of grants and payments, and strong assistance in the form of tax exemptions. The separation of church and state combined with the strength and diversity of American religious congregations further contribute to high participation in charitable giving. Finally, the government does far less than other industrialized countries to redistribute wealth from the rich to the poor, leaving wealthy people with plenty of income to donate. As inequalities of wealth and income increase in the United States, the nonprofit sector will probably grow in size and importance, aided by donations from wealthy individuals and providing services that the government does not provide.

Note

1. All waves of the PPS data are publicly available (https://resources.oncourse.iu.edu/access/content/user/mowilhel/Web_page/data.htm).

References


Giving in Mexico: Generosity, Distrust and Informality

Michael D. Layton and Valérie Mossel

1. The philanthropic landscape

1.1 History

Even before Spanish conquest in 1521, Mexico had a tradition of strong, centralized authority (Krauze, 1998). In the words of the nation’s Nobel Laureate, Octavio Paz, ‘Except during the interregnums of anarchy and civil war, we Mexicans have lived in the shadow of governments that have been despotic or paternalistic in turn, but have always been strong: the Aztec priest-king, the viceroy, the dictator, Mr. President’ (Paz, 1985, p. 381). Philanthropy and self-help have always existed, but often on the periphery of power and at the community level.

Since the pre-Hispanic era, collective work, or tequio, has been a common way of undertaking community improvement and has persisted in the usages and customs of contemporary indigenous communities (Bonfil Batalla, 1996). During the colonial era, the state largely delegated responsibility for poverty relief to the Catholic Church, which set up a series of institutions (hospices, hospitals and orphanages) to address social problems such as famine and disease (Valero, 2010). The Church quickly became the mediating institution for society’s philanthropic impulse and indelibly shaped its key values and manifestations (Guadarrama, 2007a).

In the wake of independence from Spain in 1821, Mexico was beset by internal conflicts and foreign wars (Rueschemeyer, Huber Stephens, & Stephens, 1992). A central conflict of this century was between the (conservative) Church and (liberal) State. The 1861 Decree to Secularize Hospitals and Charity Establishments stripped the Church and religious orders of their control over philanthropic institutions, thrusting the state and private philanthropy into leading roles in poverty relief (Guadarrama, 2007a). Secularization also encouraged the formation of lay organizations that promoted volunteerism and philanthropic activities, such as the Saint Vincent de Paul Society, which persists to this
day (Arrom, 2005). During this time the nation witnessed the emergence of a vibrant civil society, which took on a different form than its North American and European counterparts. Mexico’s civil society saw very little formal, vertical integration with Church and State; instead, it developed in a horizontal manner between citizens, a manner which Forment (2003, p. xi) calls ‘Civic Catholicism’: ‘These enclaves of democracy surfaced alongside bastions of authoritarianism, the two sometimes coexisting and sometimes clashing.’

The 19th century ended and the 20th began with the prolonged dictatorship of Porfirio Díaz (1876–1910), thus paving a path toward political stability and economic growth at the expense of authoritarianism and growing inequality (Krauze, 1998). Under the Law of Private Beneficence, this period witnessed the formalization of private, secular philanthropy and the proliferation of private institutions (Verduzco, List, & Salamon, 1999). When Porfirio Díaz sought an eighth term as president, utilizing the same tactics of intimidation and fraud that had served him for decades, the result was the Mexican Revolution (1910–1920). In an effort to re-establish order in the aftermath of the conflict, the revolution’s military and political leaders formed what would eventually become the Institutional Revolutionary Party (Partido Revolucionario Institucional; PRI), which governed Mexico as a single-party state for 71 years. The PRI ruled under a corporatist model based on a strong and centralized authority, which supplanted the role of the church in philanthropic endeavors (Krauze, 1998, p. 484). During this government’s reign of 71 years, it not only committed electoral fraud, media manipulation and intimidation, but also cultivated and maintained its own clubs and organizations as a way to coopt popular movements and independent groups. As a result, this strategy sustained what Peruvian Nobel Laureate Mario Vargas Llosa (1992) termed ‘the perfect dictatorship,’ pre-empting the development of an effective opposition for decades without resorting to the more brutal tactics of Latin America’s military dictatorships. Similarly, in the title of a famous essay first published in 1978, Paz (1985) described the single-party Mexican state as a ‘Philanthropic Ogre’ – philanthropic in its promise to provide for its people, but an ogre in its threat to cut off dissent.

In the 1980s three major events shook Mexico and opened opportunities for civil society and philanthropy to develop (Verduzco, 2003). First, an economic crisis gripped Latin America, undermining the PRI’s claim to effective economic management and thus giving opposition groups a political opening. Second, in September of 1985, an 8.1 magnitude earthquake hit Mexico City; the lack of an adequate governmental response led many Mexicans to organize themselves into rescue groups and other associations, instilling them with a sense of citizenship and empowerment (Monsiváis, 2005). Third, in the 1988 presidential election, the PRI committed massive electoral fraud to maintain its power, sparking fierce protests from the opposition and also expanding the role
of nonprofit organizations in fields such as human rights and democratization. While traditional charities had co-existed with the PRI for much of the century, during the 1990s civil society became more independent and outspokenly critical, pushing for democratization and the protection of human rights. These organizations increasingly looked to foreign donors to support their agendas (Layton, 2009).

The last decades have been ‘marked by the resurgence of private participation, accompanied by the proliferation of the idea advocating co-responsibility between State and society’ (Guadarrama, 2007b, pp. 20–21). This trend has been termed the ‘difficult transition from clientelism to citizenship’ (Fox, 1994) and an ‘elusive democracy’ in which civil society has played a marginal role (Olvera, 2010). Nevertheless, despite an incomplete democratic transition, Mexico’s philanthropic and nonprofit sector has emerged transformed.

1.2 Size and scope of the nonprofit sector in Mexico

Despite this strengthening of civil society after the 1980s, the number of nonprofit organizations in Mexico remains low compared to other Latin American and developing countries. In 2008, the number of legally incorporated, private nonprofit organizations (Organizaciones No Lucrativas Privadas; ONLP) in Mexico was a mere 40,089, out of which only 7,004 had tax exempt status and the authorization to receive charitable donations. Meanwhile, the population was around 112 million (INEGI, 2010; Layton, Sánchez, & Terán, 2011). To put these numbers in perspective, the Netherlands has nearly eight times the number of organizations registered with the tax authorities, yet has one-seventh of Mexico’s population (see Wiepking and Bekkers in this volume).

Similarly, data from the Johns Hopkins University (JHU) Comparative Nonprofit Sector Project reveals that the percentage of the Economically Active Population working in the sector, at 0.4 percent, makes Mexico’s nonprofit sector the smallest out of the 36 countries in the study; the percentage of GDP dedicated to philanthropy is a meager 0.04 percent, placing Mexico in a tie for last place among the nations listed (Salamon & Sokolowski, 2004). According to the categorization of Salamon, Sokolowski and Anheier (2000, p. 17), Mexico is a statist regime, in which ‘both government social welfare protection and nonprofit activity remain highly constrained.’ In this model both the size of the nonprofit sector and government social spending are limited.

Moreover, according to OECD data, Mexico is the country with the lowest level of public social expenditure among member nations, at 7.2 percent (OECD, 2012a).

1.3 Government policy in the nonprofit sector

While the state has not taken systematic steps to suppress freedom of association or ban organizations, the government finds itself in an unfinished
democratic transition and lacks any systematic policy toward the sector; Mexico is ‘a country that has not yet defined what it wants the role of citizens in the public sphere to be, and that does not know for certain what to expect from civil society’ (Ablanedo, 2009, p. 2).

1.3.1 Government support

Given the very low level of public social expenditure, the Global Civil Society Project unsurprisingly found that Mexican nonprofits receive very little support from the public sector. With 8.5 percent of its income coming from the government, Mexico’s share of public support is about half the average for Latin America and one-fifth the reported global average (Verduzco et al., 1999). The only sectors that (barely) rise above the low over-all average are Recreation and Culture (11.8 percent), Professional Associations and Unions (11.7 percent) and Social Services (9.5 percent).

In 2003 the Mexican Congress adopted the Federal Law to Encourage the Activities of Civil Society Organizations (Ley Federal de Fomento a las Actividades Realizadas por las Organizaciones de la Sociedad Civil; LFFAOSC) (Chamber of Deputies, 2004). The law mandates that government ministries provide funding and fiscal incentives to OSCs, but it lacks any enforcement mechanisms (Tapia & Robles, 2007, p. 239). The law also requires that this funding be made more transparent (United States International Grantmaking, 2012). The evidence that this mandate has increased the level of support for the sector remains mixed at best. Organizations who receive public funds are faced with onerous administrative and accounting requirements – the same ones that the Treasury Ministry applies to federal agencies (Tapia & Robles, 2007, p. 245). One critical evaluation of funding found that most support went to organizations that were affiliated with governmental ministries, rather than independent civil society organizations. Researchers documented that around 40 percent of the nearly US$215 million allocated to nonprofits went solely to organizations that functioned as the operating arm of federal ministries; this allocation leaves roughly US$127 million for the use of independent civil society organizations (Estrella, Navarro Arredondo, & Ocejo, 2009). (Please note: Throughout the text the Mexican data has been converted into US dollars and inflated to 2012 price levels.)

1.3.2 Fiscal incentives

Mexico has a notoriously complex tax system, which now consists of two major systems for taxing income: the Income Tax Law (Ley del Impuesto Sobre la Renta; LISR) and the Business Flat Tax (Impuesto Empresarial a Tasa Única; IETU). When the Business Flat Tax was first proposed in 2007, it eliminated tax exemptions for nonprofits and tax deductibility of donations; however, the Congress rejected this aspect of the administration’s proposal (Ablanedo &
Garcia, 2007; Layton, 2007). Although the flat tax was adopted with the intent to increase collection yet also simplify the tax code, the Congress passed the law mandating that businesses and consultants calculate both taxes, the LISR and the IETU, and then pay the higher one; thus, the law made the tax system much more complex (Barrett, Salerno, & Teunissen, 2008). In Mexico’s formal economy, the tax collection system is undermined by a large informal sector and generalized tax evasion; as such, the nation’s reduced tax base was termed its ‘Achilles’ heel’ by the OECD (OECD, 2012b).

Both individuals and businesses may deduct donations to registered nonprofits from their taxable income: up to 7 percent in the case of an individual’s income and 7 percent of their post-tax profits in the case of businesses. Data from 2008 shows that of the US$1,317 million received by registered nonprofits, nearly half came from businesses and a third from individuals, with the remaining 17 percent coming from governmental agencies and international cooperation (Layton, Sánchez, & Terán, 2011). The 2008 ENAFI survey also reveals that while a third of Mexicans at the time knew that donations were tax deductible, only 4 percent had claimed a deduction (Layton & Moreno, 2010, pp. 73–74). Another 2008 study finds that among 90 of the most important corporate foundations and programs in Mexico, only 48 percent of respondents required that grant recipients be a registered nonprofit (Carrillo, Mayec Vargas Arias, Tapia, & Layton, 2009).

1.4 Regulation of the nonprofit sector

The regulatory system for the nonprofit sector in Mexico is both scattershot, being spread among various regulatory schemes at the national and state levels, and outdated, with much of its legislation dating from the 19th century (Murua & Meza, 2001). At the national level, the single most important regulatory agency is the Tax Administration Service (Servicio de Administración Tributaria; SAT). This agency grants organizations an authorized donee (donataria autorizada) status, which enables them to issue tax-deductible receipts for donations and exempts them from payment of income tax, although they are liable to pay value-added and all other applicable taxes. Among the agency’s list of ten permissible activities, social services (asistencialistas) predominate. Specifically prohibited are religious or political proselytization, lobbying and sports (Servicio de Administración Tributaria, 2012). As previously mentioned, Mexico has a limited number of organizations registered with the tax authority that can receive tax deductible donations; even so, donations to government institutions are tax deductible. Only one in six legally incorporated organizations is registered for tax exemption – a fact that is indicative of the difficulty involved in attaining this status as well as the high administrative costs and questionable benefits that come with this status (Ablanedo, Garcia Olson, Garcia, & Layton,
2007). For example, authorized donees can spend no more than 5 percent of their income from donations on administrative expenses, one of the lowest rates in the world.

The second important piece of national legislation is the previously mentioned Federal Law to Encourage the Activities of Civil Society Organizations. This law was advocated by civil society organizations for more than a decade before receiving congressional approval. It is much less a regulatory framework than a mandate for the government to promote the activities of OSCs by providing public funding and opening opportunities for participation in public policy debates. To ensure transparency, organizations that wish to receive such funds must participate in a registry. The law also established an inter-ministerial ‘Commission to Encourage the Activities of Civil Society Organizations,’ consisting of four Secretaries of the national government (Treasury, Interior, Social Development and Foreign Relations) and a Technical Council. The Council consists of nine representatives of civil society organizations, four from academia, one from each chamber of Congress, and one appointed by the Commission. The law specifies 13 activities that the federal government should encourage, but philanthropy is not listed among them. As such, while the law aims to increase formalization and transparency of governmental funding, it has not had the full, beneficial impact that was expected from those that advocated in its favor (Tapia & Robles, 2006).

Although the Mexican government does not offer accreditation per se, the Tax Administration Service does require authorized donees to make their financial information publicly available via its transparency portal (Servicio de Administración Tributaria, 2012). Additionally, Mexican nonprofits have implemented three other efforts to provide accreditation. In 2004, the Mexican Center for Philanthropy (CEMEFI) launched its program, Indicators of Institutionality and Transparency. This program provides a seal to organizations that pay to participate in a self-diagnostic and comply with five or more of its ten indicators (CEMEFI, n.d.). As of 2013 nearly 600 organizations were participating. In recent years two other efforts have emerged: Filantrofilia and Confío. Filantrofilia evaluates organizations not only on their institutionality but also on their social return on investment (SROI). In addition, organizations who make their evaluation public can qualify to receive donations via the service’s website. Filantrofilia charges for this service, although scholarships are available (Filantrofilia, n.d.). On the other hand, Confío – meaning ‘trust’ in Spanish – provides thoroughgoing audits of organizations free of charge using their nine Principles of Transparency and Good Practices, based upon the model of Fundación Lealtad of Spain. If an organization participates in Confío, it is obliged to allow its evaluation to be public. At present only a few dozen organizations are registered with this program (Confío, n.d.).
1.5 Culture

1.5.1 Religion

Mexico is a predominantly Catholic country. Currently 89 percent of all Mexicans that ascribe to a religion are Catholics, although this represents a decrease from the 98 percent in 1970. Other religious faiths, especially Evangelical Christians, have increased five-fold in the last 50 years, from 2 percent of believers up to 11 percent today. The segment of those professing no religion has grown similarly, from 1 percent in 1960 to 5 percent today (INEGI, 2010). Additionally, the Virgin of Guadalupe is a potent symbol throughout the country, transcending religious significance as ‘the mother of all Mexicans’ (Báez-Jorge, 1995, p. 140). According to a 2003 survey, 88 percent of Mexicans believe in the Virgin and 73 percent consider her an important fixture in their daily lives (Moreno, 2005). Despite these aspects of spirituality, the World Values Survey found that attendance of religious services on a weekly basis has steadily declined from 54 percent in 1981 to 46 percent in 2006 (Inglehart et al., 2010). The importance of the Catholic Church in the evolution of Mexican philanthropy, and in Latin America more generally, cannot be overstated (see Sanborn & Portocarrero, 2005). In Mexico, donating to the collection plate is the single most predominant manner in which Mexicans give money. Moreover, it is the dominant model adopted by OSCs for philanthropic contributions, directly soliciting pocket change in collection tins most often at street corners and traffic lights (Layton & Moreno, 2010). Nonetheless, the Mexican state is strictly secular. Contributions to any church are not tax deductible, and religious organizations are precluded from having tax-exempt status (Servicio de Administración Tributaria, 2012).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

The field of professional fund-raising in Mexico remains very small. The website of the Association of Fundraising Professionals (AFP) reports seven chapters in Mexico: one in each of the three largest cities and the four states that share a border with the United States (AFP, 2012). In 2011, the Council for Advancement and Support of Education (CASE) announced its commitment to establish an ongoing presence in Latin America and be based in Mexico, where more than 30 prestigious institutions are already members (Council for Advancement and Support of Education, 2011). There are no governmental or private agencies that collect systematic data on fund-raising costs, as the most common solicitation methods are informal and involve small amounts of money. The federal government operates a major lottery, the National Lottery for Public Assistance, yet all the proceeds go into the national treasury (Lotería Nacional, n.d.).
1.5.2.2 Major donors

While national data is not available on the philanthropic habits of Mexico’s wealthy, the Capgemini and Merrill Lynch World Wealth Report examined philanthropic trends regionally amongst ‘High Net Worth Individuals’ (HNWI), defined as persons with more than one million US dollars in financial assets (Capgemini & Merrill Lynch, 2007). The study revealed that about 11 percent of HNWI worldwide made philanthropic contributions amounting to about 7 percent of their portfolios; however, only 3 percent of HNWI in Latin America made such contributions amounting to about 3 percent of their portfolios (Capgemini & Merrill Lynch, 2007). These results thus ranked Latin America’s wealthy as the least generous among the regions of the world despite being the fastest growing segment of HNWI globally. One of the more notorious characteristics of Latin America is its persistent and pronounced inequality. In Mexico, the poorest decile of the population receives 1.3 percent of the national income, while the richest decile obtains nearly 36 percent. Among OECD members, this places Mexico second only to Chile in its level of income inequality as measured by the GINI coefficient (OECD, 2012a).

The most high-profile HNWI in Mexico is also the world’s wealthiest man, Carlos Slim, who rose to first place on the Forbes’ world millionaire’s list in 2010 after Bill Gates donated a substantial part of his fortune to charity as part of ‘The Giving Pledge’ (Forbes, 2012a). A search on the website of the Chronicle of Philanthropy for Carlos Slim generates as its first two responses ‘Carlos Slim Is Skeptical about Philanthropy’ and ‘Carlos Slim Derides Billionaire Giveaways as Gates and Buffett Prepare China Pitch’ (Chronicle of Philanthropy, 2012). However, Slim’s apparent scepticism toward philanthropy has not prevented him from accumulating approximately three billion US dollars in current assets for three philanthropic foundations that bear his name (Carlos Slim Hélu, 2007), or from receiving the Sixth Annual Clinton Global Citizen Awards for Leadership in Philanthropy at a ceremony where he was seated next to Bill Clinton (Clinton Global Initiative, 2012). Several others of Mexico’s wealthiest families and individuals have also established foundations in recent years, such as the Harp Hélu, Arango and Hernandez families. They are amongst Mexico’s ten billionaires and amongst the top 1,000 of the world’s billionaires (Forbes, 2012b, 2012c, 2012d).

1.5.2.3 The role of financial advisory professionals

Given the limited importance of tax incentives in philanthropy, and a general lack of major giving among Mexico’s middle and upper classes, financial advisory professionals do not specialize in gift advising. Given the lack of an inheritance tax to promote post-mortem donations, philanthropic considerations do not enter into estate planning either.
1.6 Other relevant characteristics for Mexico

1.6.1 Informality and distrust

The high level of informality is a key characteristic not only of Mexico’s non-profit sector (Ablanedo, 2009, p. 9) but also of its economy in general: ‘Mexico’s informal employment has ranged from 50 to 62 percent of total employment depending on the definition used. This rate is considered high given the country’s development level and has not shown consistent signs of decline in nearly two decades’ (The World Bank, 2012, p. 212). The fact that so few Mexicans pay the income tax helps explain why so few use the fiscal incentive of charitable donations; however, there is another element at play in the field of philanthropy.

When asked how they preferred to donate money in the 2008 ENAFI, 60 percent of Mexicans stated they preferred to give to needy individuals directly, while 16 percent favored organizations and another 16 percent declared themselves indifferent between the two options (Layton & Moreno, 2010). As a follow-up, respondents were then given options to explain their preference. The single most important factor they identified was trust: 33 percent of those who prefer to give directly to the needy think the poor will use the money well, and 63 percent of those who prefer to give to organizations do so because they trust the organization will make good use of their contribution.

The results are even more interesting when disaggregated by income. There are higher levels of trust among those of lower incomes, and lower levels of trust among those with higher incomes. For those who prefer to give directly to the needy, the most popular response (40 percent) among those of the lowest income category was that they ‘trust the poor,’ while only 26 percent of the highest income level gave this response. Instead, the most popular answer among the highest income group was a ‘lack of trust in organizations,’ with 33 percent stating their distrust of organizations as the reason why they give to individuals – nearly double the over-all average and the least popular response among low-income respondents (Layton & Moreno, 2010) (Figure 5.1) (Tables 5.1 and 5.2).

![Pie chart showing donation preferences](image_url)

*Figure 5.1 Preferred manner of donation (Layton & Moreno, 2010, p. 85)*
Table 5.1  Reasons for preferred method of donation among 60% that answered they favored giving directly to those in need, disaggregated by income (Layton & Moreno, 2010, pp. 87–88)

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>You trust they will use it properly</th>
<th>Pity, charity, solidarity</th>
<th>It is easy to do</th>
<th>You do not trust organizations</th>
<th>Other/DNK/DNA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNK/DNA</td>
<td>42%</td>
<td>30%</td>
<td>16%</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>Up to $103</td>
<td>40%</td>
<td>24%</td>
<td>18%</td>
<td>15%</td>
<td>3%</td>
</tr>
<tr>
<td>$104–310</td>
<td>31%</td>
<td>33%</td>
<td>22%</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td>$311–518</td>
<td>32%</td>
<td>27%</td>
<td>25%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>$519–1,035</td>
<td>29%</td>
<td>26%</td>
<td>22%</td>
<td>21%</td>
<td>2%</td>
</tr>
<tr>
<td>$1,036 and above</td>
<td>26%</td>
<td>31%</td>
<td>7%</td>
<td>33%</td>
<td>2%</td>
</tr>
<tr>
<td>Average</td>
<td>33%</td>
<td>28%</td>
<td>18%</td>
<td>17%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Table 5.2  Reasons for preferred method of contribution among 16% that answered they favored organizations, disaggregated by income (Layton & Moreno, 2010, pp. 87–88)

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>Trust that the organization will use donations properly</th>
<th>Donations given have a greater impact</th>
<th>Individuals give asking and their problem is still unresolved</th>
<th>It is tax deductible</th>
<th>DNK/DNA</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNK/DNA</td>
<td>77%</td>
<td>9%</td>
<td>6%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td>Up to $103</td>
<td>68%</td>
<td>16%</td>
<td>5%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td>$104–310</td>
<td>47%</td>
<td>19%</td>
<td>18%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>$311–518</td>
<td>69%</td>
<td>18%</td>
<td>8%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>$519–1,035</td>
<td>60%</td>
<td>19%</td>
<td>14%</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>$1.036 and above</td>
<td>59%</td>
<td>14%</td>
<td>23%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Average</td>
<td>63%</td>
<td>16%</td>
<td>12%</td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>
One of the greatest challenges facing nonprofits in Mexico is the public’s distrust of institutions. When asked how much they trust social or nongovernmental organizations, respondents gave a rather unfavorable assessment: only 6 percent answered ‘very much,’ 29 percent ‘somewhat,’ 34 percent ‘little/very little,’ 23 percent ‘not at all,’ and 7 percent offered ‘No opinion,’ a relatively high rate of non-response and an indication of the lack of visibility of the sector. In terms of public confidence, these results place nongovernmental organizations just below the police and above the Mexican Congress – two institutions that are widely seen as corrupt and untrustworthy (Layton, 2008).

1.6.2 National campaigns

In the ENAFI, 42 percent said they trust fund-raising campaigns very little or not at all (Layton & Moreno, 2010, p. 68). However, in stark contrast to these rather dismal numbers, the Mexican public not only trusts in, but also contributes to, a number of high profile national campaigns (Layton & Moreno, 2010, p. 66). For decades the Red Cross has led the single most successful and most trusted campaign in Mexico. The second most important national campaign is a 24 hour-long telethon organized by Mexico’s biggest media conglomerate, Televisa, which held its first broadcast in 1997 (Teletón, 2012). It is held every year in early December, close to the feast day of the Virgin of Guadalupe. The campaign solicits donations from businesses, the general public via street collections, as well as telephone pledges. The effort primarily serves its very traditional charity: the construction of a series of Teletón Children Rehabilitation Centers (Centros de Rehabilitación Infantil Teletón; CRIT), which operated in 19 of Mexico’s 32 states in 2012. It has been observed that the poorest communities are the most generous in giving to the Teletón, although most major businesses and media outlets promote the event and the board of directors counts among its members Mexico’s most prominent business philanthropists. Their goal for 2012 was to raise US$37 million in Mexico; also, they plan to conduct an event in the United States with the purpose of raising seven million US dollars for the construction of the first CRIT in the United States (Teletón, 2012).

As shown in Figure 5.2 below, the single most popular form of donating is to give to the Red Cross Collection, in which a mixture of paid and voluntary solicitors stand on street corners and at traffic lights collecting pocket change from pedestrians and motorists. Levels of public trust in the Red Cross rival those of the church, with three quarters of ENAFI respondents stating they trust this organization (Layton & Moreno, 2010, p. 105). The second most popular form of donating is the ‘Rounding Off’ campaign, in which a customer at a convenience store or a supermarket rounds off a purchase and gives a few cents. What the two most popular fund-raising methods have in common is
In the past 12 months have you contributed to a fund-raising campaign through:

- Internet: 1
- Annual cash or cheque contributions: 3
- Debit or credit cards: 5
- Buying articles from philanthropic institutions (i.e. UNICEF): 6
- ATM-facilitated donations: 7
- Gift cards sales (i.e. Un Kilo de Ayuda): 19
- Donation in response to radio or TV request for a cause (i.e. Teletón, Juegutón): 27
- Food, clothing or canned goods donations: 33
- Rounding-up campaigns in supermarkets or convenience stores: 40
- Collects in public roads (i.e. Red Cross): 52

**Percentage of respondents**

*Figure 5.2* Most common methods in which Mexicans donate (Layton & Moreno, 2010, p. 66)

that they involve small amounts of money and occur in response to face-to-face solicitations. Even solicitations at automated teller machines (ATMs), with screens that pop-up after withdrawing money, are typically requests for donations of less than 50 US cents. The methods that involve a larger commitment of funds are much more rare, such as credit card payments (5 percent), annual donations by check (3 percent) and the Internet (1 percent) (Layton & Moreno, 2010, p. 66).

2. Explaining philanthropy in Mexico

2.1 Data and methods

This section contains an analysis of the results of the first national public opinion survey on giving and volunteering in Mexico, the National Survey on Philanthropy and Civil Society (ENAFI). Given the pioneering nature of the effort, the instrument went through vigorous revision and field-testing to assure that it reflected the Mexican context. The survey examines a range of topics related to philanthropic behavior, including: donations, volunteer work and social capital (interpersonal and institutional trust, norms of reciprocity
and organizational membership and participation). The survey was designed by the Philanthropy and Civil Society Project at the Autonomous Technological Institute of Mexico, a private university in Mexico City best known by the acronym, ITAM.

This survey was conducted twice, in February 2005 and November 2008, with a probability sample of 1,500 respondents each year. For the analyses we use only the data collected in February 2005. The interviews were conducted face-to-face rather than via telephone, which insures the inclusion of poorer households and heightens the representativeness of the results; the downside is the risk of socially desirable responses, a common effect when studying pro-social behavior (Bekkers & Wiepking, 2011). (A full discussion of the survey results in Spanish is available in Layton and Moreno, 2010.)

For the analyses, the dependent variable is the natural log of the total amount of money that a household donated to charitable organizations in 2005. The ENAFI measures donations made to 11 charitable subsectors: religion, educational organizations or schools, ecological and animal protection groups, health-related organizations, organizations dedicated to the elderly and low-income, humanitarian organizations, neighborhood groups, youth groups/clubs or sports, cultural and artistic associations, natural disaster relief groups and other causes. First, respondents were asked if they contributed anything the past 12 months to each subsector. Second, the respondents were asked to state the amount of money given to each subsector.

2.2 Descriptive results

In 2007, the first year for which data from the tax authority are available, Mexican households donated a total of US$443,414,225, which is equivalent to 0.04 percent of the Gross Domestic Product (Layton, Garcia, & Rosas, 2012). This number happens to match the figure produced by Johns Hopkins University, which dates from 1995 and is much broader in its definition of philanthropy. As stated previously, however, formal giving by households, reported and deducted in a tax return, represents a very small minority of philanthropy in Mexico.

According to the ENAFI survey, 92 percent of Mexican households made at least one donation to a nonprofit organization in 2005. The average Mexican household donated US$40. Table 5.3 displays the percentage of donors and level of donations made by Mexican households to different types of organizations. Mexican households donate most frequently to religious causes (84 percent). Religious donations are directed to religious organizations or are given in church (as alms or support for missions/campaigns). However, this form of giving results in relatively
Table 5.3  Percentage donors and average amount donated among donors to different charitable sectors in Mexico 2005 (N = 1,427; National Survey on Philanthropy and Civil Society)

<table>
<thead>
<tr>
<th></th>
<th>% Donors</th>
<th>Conditional donation in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational organizations or schools</td>
<td>40</td>
<td>14</td>
</tr>
<tr>
<td>Natural disaster relief groups</td>
<td>37</td>
<td>14</td>
</tr>
<tr>
<td>Health-related organizations</td>
<td>30</td>
<td>11</td>
</tr>
<tr>
<td>Organizations dedicated to elderly and low-income etcetera</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Humanitarian organizations</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>Neighborhood groups</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Youth groups, clubs or sports</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Ecological organizations and animal protection</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Cultural and artistic associations</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Other causes</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total secular causes</strong></td>
<td><strong>70</strong></td>
<td><strong>35</strong></td>
</tr>
<tr>
<td><strong>Total religious causes</strong></td>
<td><strong>84</strong></td>
<td><strong>15</strong></td>
</tr>
<tr>
<td><strong>Total all causes</strong></td>
<td><strong>92</strong></td>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

small donations: Mexican households give on average US$15 to religious causes.

Seventy percent of the Mexican households donate to at least one of the secular organizations. Educational organizations or schools are the most frequent recipients of donations (40 percent). These donations are most often directed to elementary schools. Coming in a close second, natural disaster relief groups receive 37 percent of Mexican household donations. These donations are often made in response to drives in the wake of hurricanes or flooding. Thirty percent of Mexican households donate to health related organizations. Almost a quarter (23 percent) donates to organizations dedicated to the elderly and low income. Furthermore, 15 percent donate to humanitarian organizations and to neighborhood groups. A slightly lower percentage (12 percent) gives to youth groups, clubs or sports.

The least popular causes in Mexico are ecological and animal protection organizations and cultural and artistic associations, each of which receives donations from 6 percent of Mexican households. Only 3 percent of respondents reported giving to other causes, and this same subsector recorded donating the lowest amount of money (US$1). On average, the largest amount of money is donated to all the secular causes combined (US$35). Although households give to religious causes more than secular ones (84 percent versus 70 percent), donations to religious organizations are substantially lower (US$15). Of donations to
specific secular causes, the highest amount of money (US$17) went to cultural and artistic organizations. This is surprising as these organizations are among the least popular.

2.3 Explaining philanthropic giving in Mexico

In this section we examine the characteristics known to influence philanthropic behavior, both in terms of the likelihood of giving and amount donated, for all charitable organizations, both religious and secular.

2.3.1 Incidence of giving

Table 5.4 displays the results of a logistic regression analyses of whether or not people give to any charitable cause (total giving), to religious causes, and to secular causes. In terms of total giving, 92 percent of Mexican households reported making a donation to a charitable organization over the course of 2005. Thus, it is not surprising that there are no major differences between different age groups, education levels, genders, marital status and income in influencing whether or not people give. Having a religious affiliation, however, does have an influence on the probability of making a donation. Compared to those who have no affiliation, Roman Catholics have a 148 percent higher probability to make a donation, and people who are affiliated to another religion have a 44 percent higher probability to make a donation. Protestantism, attending religious services more often, and generalized social trust do not influence whether or not one makes a donation.

The results for the incidence of religious giving are different from the results for the incidence of total giving. Married people have a 30 percent higher probability of giving to religious causes compared to people who are unmarried. People who earn US$10,000 a year or more have a 26 percent lower probability of making a religious donation. Roman Catholics have a 259 percent higher probability of making a donation to a religious cause compared to people who are not religious. Being affiliated to another religious denomination does not influence whether or not people give in this case. Religious attendance, on the other hand, has an influence on whether or not people give: people who attend religious services more frequently have a 24 percent higher probability to make a donation. All the other variables (age, education, gender and generalized social trust) do not influence whether or not people give to religious causes.

The results for secular giving are also distinct from the results for total giving. For instance, age does have an influence in this case. Compared to people who are 34 years old or younger, people aged between 35 and 65 have a 27 percent higher probability of making a secular donation, and people aged over 65 have a 37 percent lower probability. People who earn US$10,000 a year or more have a 63 percent higher probability to make a secular donation – a stark contrast
Table 5.4 Logistic regression analysis of total, religious and secular giving in Mexico in 2005 (N = 1,427; National Survey on Philanthropy and Civil Society)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving^4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>0.93^*</td>
<td>0.42</td>
<td>2.54</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.05</td>
<td>0.21</td>
<td>1.06</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.17</td>
<td>0.40</td>
<td>1.18</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.09</td>
<td>0.23</td>
<td>1.10</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.02</td>
<td>0.32</td>
<td>1.02</td>
</tr>
<tr>
<td>Male</td>
<td>0.25</td>
<td>0.20</td>
<td>1.28</td>
</tr>
<tr>
<td>Married</td>
<td>0.17</td>
<td>0.21</td>
<td>1.18</td>
</tr>
<tr>
<td>After tax household income^1</td>
<td>0.03</td>
<td>0.25</td>
<td>1.03</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.91**</td>
<td>0.38</td>
<td>2.48</td>
</tr>
<tr>
<td>Protestant</td>
<td>-0.12</td>
<td>0.45</td>
<td>0.89</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.36**</td>
<td>0.68</td>
<td>1.44</td>
</tr>
<tr>
<td>Religious attendance^2</td>
<td>0.15</td>
<td>0.05</td>
<td>1.17</td>
</tr>
<tr>
<td>Generalized trust^3</td>
<td>0.21</td>
<td>0.29</td>
<td>1.23</td>
</tr>
</tbody>
</table>

Notes: ^1 After tax household income in U.S. dollar/10,000; ^2 Religious service attendance in times a month; ^3 scale 0–1; ^4 secular giving comprises of giving to organizations in the fields of health, international relief, nature, environment and animals, public and social benefits, sports and recreation, culture and arts, education and research and ‘other’ causes; **p ≤ 0.01; *p ≤ 0.05; (+^)p ≤ 0.10.
to religious giving. Education, gender, marriage, religious affiliation, religious attendance and generalized social trust do not influence whether or not one makes a secular donation.

2.3.2 Amount donated

Table 5.5 displays the results from a Tobit regression analysis of the natural log of the total amount people gave to any charitable cause, to religious charitable causes, and to secular charitable causes in 2005. The analysis of total giving shows that secondary education matters for the total level of philanthropic donations. People who completed secondary education are predicted to donate 25 percent more than people who completed only primary education or less. Furthermore, people who earn US$10,000 a year or more are predicted to give 38 percent more money to charitable causes. Compared to people who are not religious, Roman Catholics are predicted to donate 43 percent more money, and people who are affiliated to another religion are predicted to donate 56 percent more money. Furthermore, people who attend religious services more than once a month are predicted to give 9 percent more to charitable causes.

The results for religious giving differ from the results for total giving. Marriage is positively related to the amount donated to religious organizations, as married people are predicted to donate 15 percent more to religious organizations compared to people who are unmarried. Compared to those who are not religious, Roman Catholics are predicted to donate 84 percent more, Protestants are predicted to donate 36 percent more, and people who are affiliated to another religion are predicted to donate 50 percent more money to religious causes. Also, people who attend religious services more than once a month are predicted to donate 12 percent more money to religious organizations. Finally, people who are more trusting in others are predicted to donate 16 percent more money to religious causes; this is the only case in which social trust influences philanthropic behavior.

Once again the results for secular giving offer a distinct pattern. The results show that age matters for the level of secular donations. Compared to people 34 years old and younger, people aged between 35 and 65 are predicted to donate 21 percent more money to secular organizations, and people aged over 65 are predicted to donate 41 percent less money to secular organizations. Compared to people who completed only primary education, people who completed secondary education are predicted to donate 25 percent more money, and people who completed tertiary education are predicted to donate 30 percent more money to secular organization. Income does matter for the amount of secular giving, even though it did not matter for the amount of total giving. People who earn US$10,000 a year or more are predicted to give 54 percent more to secular causes. Religious attendance has a small effect, increasing donations by 5 percent. All the other variables (gender, marriage, religious affiliation and generalized social trust) did not influence the level of secular donations.
Table 5.5 Tobit regression analyses of the natural log of the total amount donated in Mexico in 2005 (N = 1,427; National Survey on Philanthropy and Civil Society)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marginal effect</td>
<td>S.E.</td>
<td>Marginal effect</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.13</td>
<td>0.09</td>
<td>0.02</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>-0.10</td>
<td>0.14</td>
<td>0.07</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.25**</td>
<td>0.09</td>
<td>0.09</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.20</td>
<td>0.13</td>
<td>-0.04</td>
</tr>
<tr>
<td>Male</td>
<td>0.06</td>
<td>0.08</td>
<td>-0.03</td>
</tr>
<tr>
<td>Married</td>
<td>0.11</td>
<td>0.08</td>
<td>0.15*</td>
</tr>
<tr>
<td>After tax household income1</td>
<td>0.38**</td>
<td>0.10</td>
<td>0.03</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.43*</td>
<td>0.21</td>
<td>0.84**</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.17</td>
<td>0.25</td>
<td>0.36(+)</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.56(+)</td>
<td>0.32</td>
<td>0.50(+)</td>
</tr>
<tr>
<td>Religious attendance2</td>
<td>0.09**</td>
<td>0.02</td>
<td>0.12**</td>
</tr>
<tr>
<td>Generalized trust3</td>
<td>0.14</td>
<td>0.11</td>
<td>0.16(+)</td>
</tr>
</tbody>
</table>

Notes: 1 After tax household income in U.S. dollar/10,000; 2 Religious service attendance in times a month; 3 Scale 0–1; 4 Secular giving comprises of giving to organizations in the fields of health, international relief, nature, environment and animals, public and social benefits, sports and recreation, culture and arts, education and research and ‘other’ causes; **p ≤ 0.01; *p ≤ 0.05; (+)p ≤ 0.10.
3. Conclusion

In the course of this chapter, two key, interrelated factors have been identified that limit philanthropic behavior channelled through nonprofits: informal- ity and distrust. Mexicans have a strong preference and tendency to help others directly rather than through institutional means. This tendency, combined with an unfavorable legal and fiscal framework, has resulted in the under-development of the formal nonprofit and philanthropic sectors. Directly underlying this preference is a pronounced distrust of nonprofit organizations. While the overwhelming majority of Mexicans do donate, either to religious or secular causes, they do so in limited quantities. The generous nature of Mexicans provides an important opportunity to develop strategies to overcome this distrust and encourage greater organized support for philanthropy and nonprofits.

Mexico’s growing middle class might provide an opening to help solve this problem. As the Charities Aid Foundation (CAF) points out, the tremendous growth of the middle class in the developing world represents a critical opportunity to cultivate a new generation of philanthropists in new areas of the globe (CAF, 2013). According to a CAF report, increased accountability and transparency could prove to be key factors in unlocking this potential; as the document states, ‘people need to trust that the money they give will be used effectively for a good cause’ (CAF, 2013, p. 7). This factor takes on particular urgency in the Mexican context, given its challenge of distrust.

The nonprofit sector has undertaken some important initiatives to address this challenge. As described above there are three accreditation efforts recently initiated in Mexico: Indicators of Institutionality and Transparency, Filantrofilia and Confío. These are joined by a recently launched website, Funds in Plain Sight (Fondos a la Vista), which makes financial data on nonprofit and philanthropic institutions readily available in a user-friendly format (Layton, 2013). While valuable, these four initiatives are unlikely to succeed on their own in overturning the distrust documented in this chapter. They will need to be complemented by additional measures to insure the effective use of philanthropic resources as well as to highlight the contribution of Mexico’s nascent nonprofit and philanthropic sector.

Notes

1. The exchange rate used is 1MXN = US$0.0942 (average exchange rate during 2008) and the price adjustment to convert 2008 dollars to 2012 is 1.0664. Sources are www.oanda.com and www.bls.gov.com, respectively.
2. This section provides an analysis of the 2005 data in order to be consistent with the other chapters in the book. In the balance of the text the 2008 data are discussed in order to highlight questions that were not asked in the 2005 survey.
3. The exchange rate used is 1MXN = US$0.0923 (average exchange rate during 2007) and the price adjustment to convert 2007 dollars to 2012 is 1.1073. Sources are www.oanda.com and www.bls.gov.com, respectively. The percent of GDP was calculated using 2007 Mexican GDP from http://www.indexmundi.com/facts/mexico/gdp.

References


Giving in the Caribbean: Building upon Cultures of Generosity to Strengthen the Nonprofit Sector

Sharilyn Hale

1. The philanthropic landscape

The Caribbean region spans as many as 30 – mostly very small – countries, states and territories, all located within the Caribbean Sea and the surrounding coasts. The countries, although of varying sizes and with different languages and cultures, have close proximity and many are islands. Furthermore, they share a history of colonization of the indigenous peoples by Europeans, namely the British, French, Dutch, Portuguese and Spanish, all of whom imported Christianity to the region directly or via missionaries, and introduced the West African slave trade starting in the 16th century to further the economic prospects of the colonizers. European colonizers were followed by indentured servants and immigrants from India, China and other countries in the 19th century. This shared history may have resulted in shared philanthropic values, based on the role of the church and missionaries. So although the region represents some 30 different political entities, scholars of Caribbean studies, Hillman and D’agostino (2003) have suggested there are ‘significant structural variations and divergent constitutional traditions yet ultimately appear to function in similar ways’ (p. 165). Therefore, given the lack of country-level data, it is reasonable to speak of this region as a whole with respect to its philanthropic landscape. As such, this chapter will simply provide a general overview of philanthropy in the region.

1.1 History

After the abolition of slavery in the mid-1800s, Caribbean communities relied on cooperation and mutual dependence. Called ‘jollification’ in Anguilla, ‘adjupa’ in Grenada and ‘coup de maine’ (helping hand) in Dominica and St. Lucia, the practice of mutual support was evident in people’s daily activities: from helping one another with agricultural tasks and home building to
providing assistance to bereaved families (Henry, 2008). Even in its contemporary context, mutual support remains a vital tradition of giving across the region, especially after natural disasters such as hurricanes. Beginning in the later 1800s, the church expanded its role in Caribbean communities to provide social supports, such as feeding the poor, helping the disabled and opening schools. By the early 1900s, for example, the Salvation Army was present in 12 countries in the region; by 1920, it had founded the first school for the blind in Jamaica (Hobbs, 1986). This church-initiated work often received its funding from local parishioners through tithes and offerings as well as from international supporters.

Individual philanthropists also made their mark on Caribbean communities. As early as 1710, Barbadian born British soldier and Governor Christopher Codrington donated funds after his death to build the still operational Codrington College in Barbados (Holder, 1988). Moreover, from 1903 to 1914, American industrialist Andrew Carnegie invested close to US$100,000 in six libraries across the Caribbean (Miller, 1943).

Economic growth in the early 1900s led to community-based savings strategies, thus advancing individual and family economic security. Called ‘Susu’ (Jamaica), ‘hand’ or ‘box money’ (Antigua), these strategies allowed small groups (mostly women) to pool their money to save for large purchases and potential emergencies (Webson, 2010). Still used in some communities today, these practices served as a precursor to the modern credit unions that emerged in the Caribbean in the mid-1900s. The mid-1900s also welcomed the trade union movement, which fundamentally shifted the social and political landscape of the Caribbean; as such, a ‘community spirit of action,’ developed through the provision of needed social services and activities (Webson, 2010). While this movement tackled important issues of working conditions and wages, it actually slowed the development and growth of other community organizations.

In the 1970s and 1980s the Caribbean experienced a period of tremendous investment by both governments and private philanthropic organizations from the United States, Canada and the United Kingdom. In response to this massive investment, the formal nonprofit sector grew significantly, establishing many new organizations that ranged from performing arts groups to disability and youth organizations. Unfortunately, these new organizations rarely factored in sustainability, leadership development and succession; thus, when the international funding ended, so too did many of the organizations (Webson, 2010).

Emigration from the Caribbean – primarily to the United States, Canada and the United Kingdom – throughout the twentieth century resulted in a regular influx of remittances, contributing to a pre-recession high of more than US$8 billion in 2008 alone (The World Bank, 2011). Remittances are funds sent
Country: The Caribbean

from relatives abroad to their families back home after having moved to developed countries seeking greater economic and social opportunities. While there is debate about whether remittances are indeed ‘philanthropy,’ in many cases these funds help families stave off poverty and the need to seek local social supports. Aside from remittances, leaders among the Caribbean diaspora have established associations and foundations abroad which maintain community connections and raise funds to send back to their home countries for projects such as schools, scholarships and hospitals (Johns, 2010). Diaspora bonds have been recently introduced as a form of social investing in public infrastructure.

Currently, the Caribbean people most commonly give to religious institutions and schools, but the culture and practice of giving a financial donation to other formal nonprofits or charitable organizations continues to emerge. In 2012 the World Giving Index, an initiative of the UK-based Charities Aid Foundation that is based on the Gallup World Poll, included data for four countries of the Caribbean (Trinidad & Tobago, Dominican Republic, Jamaica and Haiti) (CAF, 2012). This index consists of 146 countries and assesses participation in donating money to a charity, volunteering with an organization or helping a stranger. Out of these indexed countries, Trinidad was rated at 16th, Dominican Republic at 24th, Jamaica at 32nd and Haiti at 67th. The regional average for the four countries was 35th of 146, with the highest scores for participation in ‘helping a stranger,’ proving consistent with the cultural history in the region of mutual support.

The Caribbean faces serious economic and social challenges compounded by the impact of the global economic downturn of 2008/2009, which contributed to high levels of national debt, a sharp decline in tourism and heightened unemployment. This downturn has placed new demands on the nonprofit sector and the donors who support the charities within it. However, with investment and deepened capacity, the currently under-resourced sector has the potential to play an even more meaningful role during times of crisis as a tremendous asset in the region (Caribbean Development Report, 2009).

1.2 Size and scope of the nonprofit sector in the Caribbean

Caribbean countries have considerable variation in their levels of development and state capacities (United Nations Development Programme, 2012),1 which impacts the presence and role of the nonprofit sector in each country. For example, in 2007 the Bahamas had a GDP of US$20,000 per capita and was rated at 49/177 of the Human Development Index. The same year Haiti’s GDP was US$576 per capita and the country was rated 97/179 (Caribbean Development Report, 2009). The Bahamas’ relative wealth and Haiti’s significant poverty and reliance on international aid make for difficult regional comparators. However, public social infrastructure across the region is modest relative to the need. With few exceptions, most countries spend less than the 20 percent threshold
for acceptable levels of public social spending, with the largest expenditures going toward education first and health second (Rossel-Cambier & Romagnoli, 2009).

Relative to the nonprofit sector classification system of Salamon and Anheier (1998), the relationship between governments and the sector in the region is that of the statist model where, ‘limited social welfare protection does not translate into high levels of non-profit action … Rather, both government social welfare protection and nonprofit activity remain highly constrained’ (Salamon & Anheier, 1998, p. 230). With a number of Caribbean nations gaining independence only in the mid to late 1900s, these relatively infant countries have been focused on nation building, which has likely impacted the simultaneous building of the nonprofit sector and its relationship with the public sector. The statist model also accounts for the prevalence of fees for access to social services and the undercurrent of distrust between the sectors (Webson, 2010).

The Caribbean nonprofit sector’s significant lack of capacity and professionalization has been identified as a major barrier to the sector playing an even more robust role in regional development (Caribbean Development Report, 2009). Therefore, efforts have been made to increase organizational capacity, leadership and coordination within the sector. Organizations such as the Caribbean Philanthropy Network, the Caribbean Policy Development Centre and the NGO Caribbean Development Foundation, each have launched research, training, advocacy and other unifying initiatives. In addition, the progressive JB Fernandes Memorial Trust II provides grants for management and programmatic capacity building among nonprofits in Trinidad and Tobago. Each year, this investment is followed by the JB Fernandes Award for NGO Excellence given to recognize and reward nonprofits which have demonstrated leadership in management and accountability.

Furthermore, the community foundation movement has been introduced in the US Virgin Islands, Anguilla, Puerto Rico and St. Lucia. These foundations raise and grant funds, and have been viewed as integral to building more robust and formalized philanthropic capacity across the region (Miller, 2009). In 2006, the University of the West Indies, Mona Campus, in Jamaica launched the Centre for Caribbean Philanthropy as well as an inaugural issue of The Gift: A Journal for Caribbean Philanthropy. Unfortunately, the Centre was not sustained after changes in leadership and institutional priorities.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

The relationship between the public and nonprofit sectors varies across the region. The modest level of public social spending across the region suggests that local governments do not significantly fund the nonprofit sector. In fact,
philanthropic donors sometimes fund government delivery of community services. In the case of health care (a priority for most governments), many islands in the region have neither the funds nor the population base to offer more than basic hospital care, requiring the seriously ill or injured to seek treatment abroad independently. As this treatment is prohibitively expensive for most, philanthropists and community-based fund-raising efforts often help to bridge the gap.

Those working within the sector report a lack of understanding among government officials as to the scope and impact of the nonprofit sector. With little available data on the sector in the region, no platform exists for advocating for change. Consequently, organizations such as the Caribbean Policy Development Centre have identified gathering regional data as a key strategic priority. They are currently developing a tool to begin to gather data that will quantify the impact and contributions of the sector. In turn, this data will support advocacy efforts around policy and funding issues.

The most common form of government support for registered charities in the region is income tax exemption, except for the Cayman Islands, which does not have an income tax system. However, in struggling economies such as Jamaica, even these tax ‘waivers’ are under scrutiny (Jamaica Observer, 2013). International government aid agencies (such as CIDA, DFID, USAID and UNDP) maintain relationships with the sector in the Caribbean. However, their support has continued to decrease dramatically, due in large part to shifts in foreign policy that favor other regions of the world, perceptions about the relative economic stability of the region, and concerns about the quality of work and outputs from nonprofit partners in the region (McLean, 1999).

1.3.2 Fiscal incentives

Financial and tax systems vary across the Caribbean, but most offer some form of tax incentive (deductions or credits) for giving. States in the region that are fall under the US, such as Puerto Rico and the US Virgin Islands, operate within the parameters of the Internal Revenue Service that offers tax deductions on donations. In Barbados, by contrast, donors must enter a binding three-year ‘Deed of Covenant’ (or legal agreement) with a charity before they can claim credits of up to 10 percent of their assessed income.

1.4 Regulation of the nonprofit sector

In 2010, the Caribbean Philanthropy Network commissioned a study which reviewed and evaluated the legal and regulatory frameworks for charities in nine English-speaking countries in the Caribbean, including Antigua and Barbuda, Bahamas, Barbados, Bermuda, Cayman Islands, Jamaica, St. Kitts and Nevis, St. Lucia and Trinidad and Tobago (Towle, Moody, & Randall,
They found that while all of the countries in the study had a process for registering charitable organizations, the laws and regulations – with few exceptions – were patchwork, out of date, not meeting the current needs of the sector and not in keeping with common international standards. Furthermore, most countries were silent on fund-raising activity and issues of governance, transparency and accountability.

Across the region there has been a call for legislative and regulatory reform. This call has come from leaders within the sector and donors as a way to establish clarity and stability, build donor confidence and increase professionalism in the sector (Towle, 2011). The period of 2010 to 2012 saw a number of countries introduce new or revised nonprofit legislation, including Cayman Islands, the British Virgin Islands, St. Kitts and Barbados. With the offshore financial services industry being a key economic pillar in the region, the primary driver for these changes may have been compliance with requirements of the global Financial Action Task Force (FATF) in relation to tackling terrorism financing and money laundering (Towle, 2011).

Additionally, efforts have been made to increase and demonstrate voluntary self-regulation within the sector. In 2012, after consulting 14 countries in the region, the Caribbean Policy Development Centre launched the Code of Ethics and Conduct for Caribbean NGOs (Caribbean Policy Development Centre, 2012). Establishing standards for ethical behavior, governance, fund-raising and evaluation as well as for relationships with governments, funders and fellow NGOs, the Code is now formally endorsed by 15 organizations across the region.

1.5 Culture

1.5.1 Religion

Brought to the region by Europeans, Christianity dominates among 83.5 percent of the population, of which 60 percent are Roman Catholic. Approximately 8 percent of the population is agnostic or atheist, with the rest being ‘other,’ including Afro-Caribbean Creolized religions, Hinduism, Buddhism and Islam (Centre for Caribbean Religion and Culture, 2010). The region’s vibrant and diverse religious landscape ‘reflects a long history of encounters between various traditions and their adaptation to the presence of one another and to the physical, political, economic and cultural realities of the Caribbean environment’ (Edmonds & Gonzales, 2010). Waves of slavery, indentured workers and diaspora peoples over the centuries have contributed to this melting pot. For example, slaves were often forced to take on the Christianity of their owners, which they then merged with their African religious traditions, resulting in customized religious expressions such as Rastafarianism (Edmonds & Gonzales,
2010). While Christianity is the largest religious group in the Caribbean, no state church taxes were identified in this research.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Anecdotal information suggests that commonly used fund-raising methods include special events (such as golf tournaments or dinners), letter appeals, auctions and public street collections. Fund-raising research indicates that these methods tend to be among the least cost-effective and most labour-intensive, and are most prominent in small, less mature fund-raising programs (Greenfield, 1999). Nonprofits in the region also seek corporate and foundation grants and sponsorships. In addition to a handful of community foundations, United Way Worldwide – a globally known community fund-raising entity – has a presence in four countries of the region: Jamaica, Trinidad and Tobago, Virgin Islands and Puerto Rico. The United Way grants funds (often raised through workplace giving programs) to local charities which meet identified standards for program quality and accountability. With local volunteer leadership, Caribbean United Way organizations collectively raise (and then grant) millions of dollars each year.

Many charities in the region have no paid professional staff. As such, volunteers play a vital role in fund-raising, often as board members of charities and as members of community service organizations such as Rotary or the Soroptimists. Globalization has resulted in expatriates in the region, where one spouse may not have a local work permit and therefore has more time to volunteer their skills in the community. While some larger charities may have paid fund-raising staff, the formal fund-raising profession in the region is not robust. The Association of Fundraising Professionals (AFP), which has more than 30,000 members among its 260 chapters around the world, has only one chapter in the Caribbean (Puerto Rico) with only 24 members that span four countries in the region. Similarly, Resource Alliance, a UK-based organization committed to fund-raising education with a strong presence in the global south, has no relationships or partnerships with nonprofits in the Caribbean. CFRE International, the global credential for professional fund-raisers, reports only two fund-raisers in the Caribbean who hold its baseline certification. In some countries, however, national or local umbrella volunteer organizations have formed to build collaboration and skills within the sector, including support for fund-raising. Examples include the Coalition of Civil Society of Trinidad and Tobago and the Barbados Association of Non-Governmental Organizations. In addition, the University of the West Indies, Cave Hill Campus, in Barbados has launched a 15-month Certificate in NGO Management, which includes one course on ‘resource mobilization,’ thus acknowledging a need for training in this area.
1.5.2.2 Major donors

In the Caribbean region, there has been modest attention to the role of individual major donors. The Caribbean is home to a number of native wealthy entrepreneurs and families as well as expatriates and seasonal residents who are able to make significant philanthropic investments. While some have called for them to do more (King, 2007), many of them give generously. They offer a number of examples of multi-million dollar charitable gifts and contributions of land and property to regional nonprofits, which include an innovative nature conservancy organization, a state-of-the-art residence for disabled children, and various initiatives of the University of the West Indies. In 2009 the Stewart family of Jamaica, owners of the Sandals Resorts empire, established the Sandals Foundation and has since granted US$20,000,000 to charities across the region. In 2012, Barbadian-born recording artist Rihanna contributed US$1.7 million to the hospital in her home country. As in most parts of the world, million-dollar gifts are not the norm, but some nonprofits in the region do report receiving sizable individual gifts of US$10,000 and above.

The wealthy elite of the region could be described as global citizens, often with personal and business interests that span the globe. They may not restrict their giving to the Caribbean, especially when they are identified and courted by organizations in the United States, Canada and Europe with well-established and sophisticated fund-raising programs. Individuals known for their generosity in the region indicate receiving as many as 20–30 requests for donations each week from registered charities as well as from individuals or families in need. This volume, coupled with religious, cultural and safety factors around public displays of wealth, lead many philanthropists to give privately or anonymously. In addition, diaspora donors are increasingly making their mark. Business luminaries such as Michael Lee-Chin and the late Raymond Chang both left Jamaica to build their empires in Canada. They subsequently donated millions to causes across the Caribbean in addition to their generous philanthropy in Canada, encouraging their regional peers to do likewise.

Nevertheless, capacity in the nonprofit sector remains a significant barrier to giving (Miller, 2009), and by extension, to major donor giving. Many nonprofits in the region are not equipped or resourced (with trained staff or volunteers) to engage major philanthropic investment. Further, limited management and operational strength makes effective large-scale expenditures of major gifts challenging. In response to this challenge, some philanthropic donors (such as the Community Foundation of the Virgin Islands) have expanded from funding charitable programs and activities delivered by community organizations to delivering these needed programs themselves.
1.5.2.3 The role of financial advisory professionals

Due to great wealth disparity in the region, a modest percentage of the population seek private wealth management services. However, these people are also the ones capable of making sizable philanthropic investments. The role of financial advisory professionals with an expertise in philanthropy is limited. Five of the main retail or commercial banks in the region have private wealth management services, but only Scotiabank lists philanthropic advising on their website as among their offered services. Where offered, philanthropic advising by a financial company tends to be a service that helps a client structure a charitable gift he or she has already chosen to give, as opposed to being a method for encouraging and increasing giving in a community. As the philanthropic interests of clients increase, financial institutions are responding with more availability of philanthropic advising services.

1.6 Other relevant characteristics for the Caribbean

1.6.1 Expatriate community

The expatriate community in the Caribbean – particularly the long-term and permanent residents – often have a desire to give back to their adopted home countries and do so by donating to causes and volunteering. For example, the Sandy Lane Trust in Barbados was established by British expatriates to fund children’s causes on the island. The Trust is now spearheaded by British entrepreneur Derrick Smith, one of five billionaire owners of the exclusive Sandy Lane Resort in Barbados. In 2015 the Trust raised more than US$2 million through hosting a one-day golf tournament and dinner event that has become a highlight of the annual social calendar.

1.6.2 Tourism

The Caribbean is perhaps best known as a tourist destination; as such, some nonprofits in the region have developed creative ways to benefit from tourism and voluntourism. Pot Cake Place in the Turks and Caicos provides veterinary care and finds homes for stray dogs. They invite dog-loving tourists to not only donate to the Pot Cake Foundation but also adopt ‘pot cakes’ (a local term for stray dogs often fed the caked remains at the bottom of a cooking pot) or act as a volunteer courier to deliver the dogs to adoptive homes in the United States and Canada. Since Pot Cake Place was established in 2006, tourists have adopted and taken home 380 dogs.

2. Conclusion

Cultures of generosity and mutual support have a long history in the Caribbean region and remain evident today through nonprofits, which are active in many areas of community life. Building upon this foundation will be critical to future
strengthening of the sector. The lack of data on giving and nonprofits makes a comprehensive understanding of the sector and its role challenging. Efforts to tackle this lack of data should be a top priority for nonprofit, public and private sector leaders. In the absence of large-scale government funding, the sector is under-financed and under-resourced, which impacts their effectiveness and ability to scale solutions to regional social and economic issues. Furthermore, nonprofits’ lack of capacity and ability to deliver quantifiable impact has been documented as a barrier to philanthropic giving and donor confidence. However, as in many parts of the world, donors are reluctant to support salaries, administration and infrastructure to develop the sector’s capacity and ability. Thus, donors in the region need to think more strategically in their giving; they should consider linking investment in nonprofits and their leaders to accountability measures in order to enhance both sector capacity and social impact.

Philanthropic giving in the region could be dramatically increased through a number of initiatives. First, relevant and up-to-date nonprofit regulatory and legislative frameworks, with mechanisms to ensure compliance, would support the sector and boost public confidence. In this process, nonprofits’ active engagement and consultation would deepen regional understanding of the role and needs of the sector among governments and the larger community. Second, greater and more convenient financial incentives for giving would spur increased support from individuals and companies. Among donors and nonprofits, awareness and understanding of incentives for giving must be enhanced for the incentives to have their desired impact. Third, efforts to professionalize the sector need to continue. This professionalization could take the form of a standards or accreditation program (regional or local) that outlines baseline best practices for management, governance and financial accountability as well as greater openness to the hiring of paid professional staff and educational opportunities related to fund-raising, nonprofit governance and management. With strategic efforts in these three areas, the Caribbean would strengthen its nonprofit sector and better serve the needs of its communities.

Notes

1. The nonprofit sector in the Caribbean is dispersed, and regional data on its size and scope is not available. Sector information within each country is also challenging to locate and access. This issue represents a challenge and opportunity for the sector in terms of national and regional research, evaluation and strategy and policy development. The lack of data belies the activity that is happening in communities across the region. While local and international nonprofit organizations are frequently not well documented or formalized, they are striving to make an impact in the areas of health, education, social services, human rights, environment and the arts and culture.
2. No data was available on the degree to which these incentives are known, used, or seen as a motivation for giving. However, this information on incentives for giving was very difficult to locate, and even those who work within the nonprofit sector (in various countries) were seldom aware of the available incentives within their jurisdiction. Thus, one could by extension assume that donors may also find it difficult to access this information. In a study of corporate donors in the region, tax incentives for giving were not deemed significant nor a key driver for giving decisions (Jones, 2003).

References


1. The philanthropic landscape

1.1 History

Nonprofit organizations have a long tradition in Austria. Many of the country’s currently active organizations date back to the nineteenth century. Established in 1867, the law on registered associations laid the foundation for the formation of the nonprofit sector (Simsa, Schober, & Schober, 2005). Since then, nonprofit organizations’ fields of activity have steadily broadened according to the needs and problems of society.

Circa the turn of the twentieth century until 1914, the most important types of associations were mutual benefit societies and saving clubs, reflecting the lack of a public system of social security and the necessity for the working class to save for unforeseen happenings. Later, during the interwar years – when fascist ideology gained popularity in Austria – nonprofit organizations, especially sports clubs, played an important role in disseminating fascist thoughts (Simsa et al., 2005). Additionally, the ongoing labor movement spurred the foundation of many nonprofits. In 1934, as the era of Austro-Fascism set in, all associations linked with the Austrian Social Democratic Party were dissolved and their activities were forbidden. A major turning point was the annexation of Austria by Germany in 1938; the whole sector was restructured, and associations with ‘undesired’ aims were either shut down or brought in line with nationalist goals (Heitzmann & Sims, 2004).

After World War II, with the formation of the Second Republic, political parties helped reinvigorate the nonprofit sector. Many nonprofits were founded or supported either by the Social Democratic Party of Austria or by the conservative Austrian People’s Party. As the church retreated from ongoing political affairs, some of the nonprofit organizations associated with the church started to work closely with the Austrian People’s Party. Due to these affiliations,
nonprofits had an enormous influence on politics, thereby establishing the base for Austria’s modern corporatist system. Under this system, institutionalized negotiations between political parties, the labor movement, professional associations and nonprofit organizations take place for the purpose of balancing interests.

In the 1970s, increasing ecological and political awareness resulted in the foundation of a substantial number of nonprofits engaging in previously untargeted areas, including human rights, ecology and support for disadvantaged groups such as addicts, people with handicaps and homeless people. One of the latest waves of founding new nonprofits resulted from political transformations and conflicts in neighboring countries of Austria, which borders several states belonging to the former Eastern bloc: the Czech Republic, Slovakia, Hungary, Croatia and Slovenia. Due to the war in former Yugoslavia in the early 1990s, nonprofit organizations emerged to provide refugee assistance. Moreover, with the fall of the Iron Curtain in 1989, nonprofit organizations focusing on human rights and migration were founded along with many cultural associations (Neumayr, Schneider, Meyer, & Haider, 2007).

Today, Austria has a vibrant nonprofit sector. However, due to the inhomogeneity of the nonprofit field, the self-awareness of the sector is not well developed. In addition, not one single but a variety of different legal forms can be used to establish a nonprofit organization under Austrian law. Recent developments like the outsourcing of services from the public to the nonprofit sector, the rise of corporate social responsibility or the emergence of social enterprises made it even harder to generate a common sector identity, because the boundaries between nonprofit, for-profit and public institutions have become blurred (Meyer, Neumayr, & Schneider, 2010).

1.2 Size and scope of the nonprofit sector in Austria
Nonprofit organizations form a very heterogeneous group in Austria, both regarding their fields of activity and their legal status. The great majority of all nonprofits are associations. Other relevant legal forms are private-limited and public-limited companies, foundations and co-operatives.

In 2010, almost 117,000 associations were listed in the register of associations (Zentrales Vereinsregister) (Statistik Austria, 2012b). Among the organizations recorded in the commercial register (Firmenbuch), about 500 companies and 95 co-operatives can be classified as nonprofits (Pennerstorfer, Schneider, & Badelt, 2013). In addition, about 700 charitable foundations exist under two different laws (Schneider, Millner, & Meyer, 2010). Adding up all nonprofits from the different registers shows that Austria has about 118,000 organizations in total among a population of 8.4 million inhabitants. Thus, in terms of the sheer number of nonprofit organizations, the Austrian nonprofit sector has a respectable size. In contrast, the number of nonprofit organizations which
have paid employees is considerably smaller. The workplace and business cen-
sus, which covers all organizations with at least one paid employee, revealed
that the vast majority of nonprofit organizations in Austria are run only by vol-
unteers. In 2001, the census accounted for 11,000 nonprofit units (Schneider,
Badelt, & Hagleitner, 2007), implying that at least 107,000 nonprofits do not
have paid staff. Nevertheless, the nonprofit sector contributes about 2 percent
of the Gross Domestic Product (GDP) in Austria.

According to the nonprofit sector classification of Salamon and Anheier
(1998), the relationship between the nonprofit sector and the state in Austria is
best described by the corporatist model. In alignment with this model, the state
makes ‘common cause with nonprofit organizations’ and there exists ‘a system
of state sponsored welfare provision by nonprofit organizations’ (Salamon &
Anheier, 1998, p. 19). Thus, the scale of the nonprofit sector increases with
the growth of government social welfare spending. The sector is characterized
by a high number of nonprofits coupled with a high level of public spending.
In 2007, the Austrian government spent about 26.5 percent of GDP on public
social expenditures; only four countries within the OECD spent more (OECD,
2012).

The fact that nonprofits receive a large share of their income from the public
sector – and most notably provide social services in return – is one of the key
features of the corporatist nonprofit regime in Austria. Due to their infrastruc-
ture and expertise, nonprofits are essential partners of the government in the
 provision of social services. In addition, they apply the experience and insights
that they gain from the provision of social services, especially regarding the
needs and problems of their clients, as a basis for advocacy activities. Non-
profit organizations have a strong tradition in advocacy in Austria, since many
nonprofits have roots in political parties and still have close links with them.
Hence, nonprofit organizations – especially the large and well established ones –
participate in public dialog, are integrated into the process of preparing laws,
are consulted on draft bills, and their comments are discussed before a law
enters into force. Although there is no legal requirement for nonprofits to be
involved in this process, it is nonetheless customary to call on their exper-
tise (Neumayr et al., 2007). Next to the provision of social services and the
engagement in advocacy, nonprofit organizations are important vehicles for
community building. Their activity in the fields of sports and recreation, culture
and welfare on the communal level are essential for a vibrant life in Austrian
communities.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

The nonprofit sector in Austria relies heavily on income from the public sector.
According to data from the Global Civil Society Project, about 50.4 percent of
nonprofit revenue is derived from public sector income (Salamon & Sokolowski, 2004). Nonprofits active in the field of social services receive the highest levels of public revenue at 59.5 percent. Also quite high are the shares of public income in the education, health care and environment sectors, with 59 percent, 49 percent and 49 percent, respectively. In contrast, the share of public income of nonprofits active in the field of arts and culture only makes up 16 percent of their total revenues (Neumayr et al., 2007).

1.3.2 Fiscal incentives

Austria taxes the income of individuals through progressive income taxes. The marginal tax rates increase with income and amount to 36.5 percent, 43.2 percent and 50 percent (BMF, 2012b) (see Figure 7.1). Though these tax rates are relatively high, the effective average tax rate individuals have to pay is lower since there are many options for tax credits, tax deductions and other exceptions within the Austrian income tax system. Capital gains are separately taxed at the fixed percentage of 25 percent.

![Figure 7.1 Taxation of private income and price of charitable donations by income in Austria in 2012](image-url)
Until 2009, Austrians gave minor importance to tax deductions for charitable donations; these deductions were only granted for donations to a limited number of organizations active in the fields of education and culture. Since 2009, however, Austrians can deduct from income taxes donations for all nonprofit organizations that provide public benefit, emergency relief, development aid or animal and environmental protection, and that have registered with the Ministry of Finance. Individuals are allowed to deduct donations of up to 10 percent of their total taxable income, and there is no absolute minimum or maximum threshold (BMF, 2012a).

Analyses of tax records reveal that among the people who declared their income taxes in 2009, almost 10 percent deducted charitable donations. With age, this percentage increases. While only 6 percent of those between 31 and 40 years deducted donations from their income taxes, about 20 percent of those between 61 and 70 years of age did so. People with higher levels of income are also more likely to deduct donations. While 3 percent of those with annual earnings between US$10,377 (€8,000) and US$14,269 (€11,000)\(^1\) deducted charitable gifts, more than 20 percent of those with an income between US$49,294 (€38,000) and US$129,720 (€100,000) did so (Neumayr & Schober, 2012). This greater likelihood among wealthier people is unsurprising, since they receive greater benefits from charitable deductions due to the progressive tax system. Conversely, people with an annual income below US$14,269 (€11,000) do not receive any benefits, so their donation costs them 100 percent of the amount of money they donate. In contrast, for people with an annual income between US$32,430 (€25,000) and US$77,832 (€60,000), a donation costs only 56.8 percent of the amount given. Figure 7.1 indicates the percentages of a charitable donation the donor has to pay after deducting the gift from income. Similar to the likelihood to deduct donations, the amount of money deducted increases with age and income. On average, people deducted US$266 (€180) over the year of 2009; those between 70 and 80 years of age deducted US$339 (€230) on average (Neumayr & Schober, 2012).

In 2009, the total amount of donations deducted from income taxes amounted to US$103 million (Neumayr & Schober, 2012). This amount is expected to rise over the next few years as awareness of deduction options increases. The Ministry of Finance has taken special measures to increase the level of public awareness, placing advertisements in quality newspapers. Additionally, awareness may increase through word-of-mouth recommendations.

1.4 Regulation of the nonprofit sector

Since nonprofit organizations in Austria are constituted under several different laws, hardly any regulations apply to the whole nonprofit sector. The term ‘nonprofit’ does not exist under Austrian law, but there are legal requirements for nonprofits under the respective legal forms. Specific regulations
applying to all types of nonprofit organizations are only found in tax law, where organizations have to be approved by fiscal authorities to pursue ‘non-commercial, beneficial, or religious purposes’ (gemeinnützige, mildtätige oder kirchliche Zwecke) (Bundesabgabenordnung, 1961, p. 34) in order to receive nonprofit-status. Beyond this law, two systems of regulation apply to nonprofit organizations that collect donations.

The first system regulates whether donors can deduct their charitable donations. Donors are only allowed to deduct their contributions from taxable income when the receiving nonprofit organization is registered with the Ministry of Finance. This registration is voluntary, and nonprofits have to apply for it. In order to be accredited, nonprofit organizations have to prove that they are a benevolent institution that either pursues the public benefit, works for emergency relief, development aid or animal and environmental protection, or collects donations for one of these purposes. Moreover, they are required to have existed for at least three years and been audited. Lastly, administration costs – which comprise of the costs to administer donations only, and not to cover fund-raising, staff, or other overheads – are not allowed to exceed 10 percent of the total amount of donations a nonprofit organization receives (BMF, 2012a). Currently, more than 900 nonprofit organizations are registered.

The second system of regulation is the Austrian Accreditation Seal for Donations (Österreichisches Spendengütesiegel, OSGS). Incorporated in 2001 in order to increase trust in donation-collecting organizations, this seal indicates the donation-security of a nonprofit. Nonprofit organizations can voluntarily apply for it at the Austrian Chamber of Accountants (Österreichische Kammer der Wirtschaftstreuhänder). In order to receive it, a nonprofit has to be accredited based on accountability regulations especially regarding reporting, monitoring, the salary of its employees, and fund-raising principles. Currently, about 230 nonprofits are accredited with the seal (OSGS, 2012).

1.5 Culture

1.5.1 Religion

The Roman Catholic Church is the predominant religion in Austria, although its prominence has steadily decreased in the last few decades. While 87 percent of the population was affiliated with the church in 1971 (Statistik Austria, 2012a), about 74 percent of the population belonged to this denomination in 2001. Among the reasons for this decrease are the church’s (sex abuse) scandals, membership fees and failure to keep up with the times, which have incentivized people to abandon their affiliation with the church. All other religious groups are much smaller: in 2001, 4.5 percent of the population were Protestant, another 4.5 percent were Islamist, 2.2 percent were Orthodox and 0.9 percent were members of other religious groups (e.g., Jehovah’s Witnesses,
Buddhists and Jews) (European Studies on Religion and State Interaction, 2012). About 12 percent of the population indicated they have no religious affiliation. Though 88 percent state that they have a religious affiliation, only 11 percent report to attend religious services at least once a week.

There is no State Church and no State Church Tax in Austria. The Roman Catholic Church, however, collects obligatory membership fees that are colloquially called church tax (Kirchensteuer); the fee makes up 1.1 percent of the annual income. The Protestant Church collects membership fees as well, while Islamists have a so-called cultus-tax (Kultussteuer). Regardless of their religion, individuals are allowed to deduct their religious contributions from their income up to an amount of US$518 (€400) per year.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

The Austrian Fundraising Association (Fundraising Verband Austria, FVA) is the largest platform for donation-collecting nonprofit organizations in Austria, with currently 170 member organizations. The FVA pursues the goals to improve the regulations for fund-raising and to make fund-raising more accepted among the population. Moreover, it aims to professionalize fund-raising, and thus runs a fund-raising college (Fundraising Verband Austria, 2012).

In Austria, fund-raisers apply a broad variety of fund-raising methods, although few of these methods are popular among the population. The most frequent methods donors use to donate are payment slips, door-to-door solicitations and money transfer orders (regular donations via bank transfer). In 2011, money transfer orders accounted for the largest share of all donations with 28 percent, followed closely by payment slips with 27 percent (Neumayr & Schober, 2012). In contrast, online donations accounted for only 2 percent of all donations in 2011, with only 1 percent claiming to have ever donated online. This low online donor rate might be because people who are very likely to donate often share rather conservative values, thus preferring more traditional methods instead of online transactions (Neumayr & Schober, 2012). Among the fund-raising methods that are the least popular with the Austrian population are charitable bequests and lotteries. Less than 1 percent of the population included charitable bequest in their will in 2011. Thus, an initiative was launched in 2012 to promote charitable bequests (see: www.vergissmeinnicht.at [forget-me-not]). With regards to charitable lotteries, about 3 percent of the population bought tickets from such lotteries in 2011. Among the 12 nonprofits which run charitable lotteries are the Association of Boy Scouts and Girl Guides of Austria (Pfadfinderinnen und Pfadfinder Österreichs) and the Austrian Federation of the Blind and Partially Sighted (Blinden- und Sehbehindertenverband Österreichs). Another notable lottery is the Good Lottery Ticket (Das gute Los),
which is a joint fund-raising vehicle of 13 nonprofit organizations for raising funds together; it awards winners tangible prizes sponsored by companies. In total, charitable lotteries annually collect about US$9.1 million in Austria (Fundraising Verband Austria, 2013).

1.5.2.2 Major donors

Until recently, major donors have been largely absent or operating anonymously in Austria. The vast majority of donors are low-income people who give small amounts; major donors play a very limited role and receive little attention (Fundraising Verband Austria, 2011). One reason for this apparent absence of major donors is due to their preference to give anonymously, since Austrians do not consider it appropriate to talk about wealth and money. Another reason, according to the FVA, is the lack of favorable tax regulations for major donations, which makes individuals with large financial resources refrain from charitable giving (Fundraising Verband Austria, 2012). Though a few wealthy people have made their major donations public recently (see http://sinn-stifter.org), Austria does not have an established culture of generous philanthropic behavior.

1.5.2.3 The role of financial advisory professionals

Related to the lack of major donors, Austria scarcely has any financial philanthropy advisors. Several banks offer advice with regard to socially responsible investments, and almost all banks cooperate with particular nonprofit organizations and offer them special conditions, such as waiving their payment for transfers or payment slips when people donate to them. Professional assistance regarding charitable giving, however, is not part of the services of financial institutions. The FVA provides information for endowed foundations, issuing a guidebook that lists charitable projects seeking support (Spendenratgeber für Stiftungen) and offers advice concerning institutionalized charitable giving.

1.6 Other relevant characteristics for Austria

1.6.1 National campaigns

Austria has a professional culture of organizing national fund-raising campaigns, especially concerning international humanitarian disasters. The best-known campaign, ‘Neighbor in Need’ (Nachbar in Not), was initiated during the war in former Yugoslavia in 1992. The initiative – a joint project of eight national aid organizations and national public television (ORF) – aimed to help affected people in the war region. Neighbor in Need continues to be very successful in raising money and providing immediate assistance for the victims. It has become a foundation that organizes national campaigns to support the victims whenever a big disaster occurs. For instance, it has organized campaigns for the war in Iraq in 2003, for Darfur in 2004 and for Haiti and Pakistan in

1.6.2 Role of endowed foundations

In contrast to many other countries, foundations do not play an important role in funding nonprofit organizations in Austria. The reasons are twofold. First, private foundations are not required by law to pursue a public purpose in Austria, which differs from legal regulations in other countries. Out of the 3,500 foundations, of which the largest part is endowed foundations, only 700 have philanthropic purposes; thus, the vast majority of foundations solely follow private objectives without contributing to civil society and welfare production. Second, Austria has no well-established foundation sector; both the number of charitable foundations per capita and the annual expenditures of philanthropic foundations are rather small compared to other countries.

The inhibited engagement of Austrian foundations working toward the public good has several reasons: the absence of role models, restrictive regulations on taxation, the lack of transparency in the foundation sector, and traditional reliance on the state to take care of welfare tasks. The private foundations that pursue public purposes are most notably active in the fields of culture and education (Schneider et al., 2010).

2. Explaining philanthropy in Austria

2.1 Data and methods

The data used for the following analyses stems from a survey of the Austrian population conducted in 2008 (Neumayr & Schober, 2009). Funded by the Austrian Institute of Fund-raising, this survey had the purpose to provide insights into philanthropic behavior. Similar and comparable studies on philanthropic giving in Austria took place in 2000, 2004 and 2011.

The sample for the study in 2008 comprises data of 1,019 respondents, with ages 14 years and older. For this sample, addresses of households were randomly drawn from a register, and one adult member was interviewed within each selected household. The sample is representative of the Austrian population after applying weights regarding age, sex, federal state and size of municipality.

Data was collected using a standardized questionnaire with computer-assisted face-to-face interviews. The unit of analysis was individuals and the questions referred to individuals’ giving behavior in the period of the previous 12 months (between September 2007 and October 2008).

The questionnaire included different questions with regards to individuals’ giving behavior. First, we asked whether or not a donation was made using 1 of 16 different methods, for example, by door-to-door collection or via money transfer orders. Second, we asked for the exact amount of money
given with each of the methods used. Additionally, we asked whether or not respondents made a donation to 1 of 20 charitable subsectors: Animal protection, Environment protection, International aid, People with handicaps, Children/Youth, Elderly, Refugees, Drug addicted, Homeless people, Poor people, Culture, Sports/Recreation, Education, Research, Health, Human rights, International emergency relief, National emergency relief, Religion and Politics. Regarding these subsectors, however, we did not ask for the amount of money donated to each.

Overall, 66.6 percent of all respondents indicated to have made a donation in 2008, but only 64.4 percent specified the charitable subsector(s) they donated to. The dependent variable in the logistic-regression analysis explaining total giving therefore refers to 66.6 percent. The dependent variables regarding secular giving and religious giving refer to the respectively lower percentage rates. In our Tobit analysis, we regress on the natural log of the total amount of money that a person donated in the course of 2008. All data have been inflated to 2012 price levels.

2.2 Descriptive results

In Austria, 66.6 percent of the adult population indicated to have made a donation to nonprofit organizations in 2008. The average donation per donor amounts to US$98, and the average donation per adult amounts to US$63. In total, Austrians donated US$444 million in 2008, which is equivalent to 0.1 percent of GDP (Neumayr & Schober, 2009). Table 7.1 depicts the percentage of the Austrian population that has donated to particular charitable causes.

The most popular charitable causes of Austrian donors are public and social benefit causes, since 33 percent of the Austrian population give to organizations active in this field. Among these organizations are nonprofits which support, for example the elderly, people with handicaps, drug addicts, refugees, or children. The Catholic social welfare organization, Caritas (Caritas), and the Protestant one, Diaconia (Diakonie), are the best-known donation-collecting nonprofits active in this subsector. Austrians’ most favorite public and social benefit cause is aid for children and youth: at least 14 percent of the population donated for this issue in 2008. The Austrian chapter of SOS Children’s Village (SOS Kinderdorf), UNICEF and Pro Juventute are the best-known organizations in this field. The second most-important charitable cause is religion. 23 percent of the Austrian population give to religious organizations, which includes collections during religious services. Another very popular charitable subsector is the field of nature: 20 percent of the population donated to animal and environment protection organizations. Nonprofits active in this field include national organizations like Four Paws (Vier Pfoten), the Vienna Association for Animal Protection (Wiener Tierschutzverein), and the Austrian chapters of Greenpeace, World Wildlife Fund and Global 2000. Another 17
Table 7.1 Percentage of the population donating to different charitable causes in Austria in 2008 (N = 1,019)

<table>
<thead>
<tr>
<th>Charitable subsector</th>
<th>% Donors¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public and social benefits (elderly, children, homeless people, ...)</td>
<td>33</td>
</tr>
<tr>
<td>Nature, environment and animals</td>
<td>20</td>
</tr>
<tr>
<td>National emergency relief</td>
<td>17</td>
</tr>
<tr>
<td>Health</td>
<td>8</td>
</tr>
<tr>
<td>International emergency relief</td>
<td>6</td>
</tr>
<tr>
<td>Foreign aid/development aid</td>
<td>6</td>
</tr>
<tr>
<td>Education and research</td>
<td>5</td>
</tr>
<tr>
<td>Sports and recreation</td>
<td>5</td>
</tr>
<tr>
<td>Other causes</td>
<td>3</td>
</tr>
<tr>
<td>Culture and arts</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total secular causes</strong></td>
<td><strong>58</strong></td>
</tr>
<tr>
<td><strong>Total religious causes</strong></td>
<td><strong>23</strong></td>
</tr>
<tr>
<td><strong>Total all causes</strong></td>
<td><strong>64²</strong></td>
</tr>
</tbody>
</table>

Notes: ¹ Multiple charitable subsectors per donor are possible. ² Though 66.6 percent of all respondents indicated that they made a donation in 2008, only 64.4 percent indicated that they donated to at least one charitable subsector.

percent of Austrians donate to national emergency relief organizations, which include the fire brigade. Eight percent donate to health causes, 7 percent to international emergency relief and 6 percent to foreign aid. The field of foreign aid includes church-related organizations like the Three Kings Campaign (Dreikönigsaktion), Missio, Light for the World (Licht für die Welt) and World Vision. The most popular national campaign in the field of international emergency relief is the foundation Neighbor in Need (Nachbar in Not) (as mentioned earlier).

Less popular charitable causes in Austria are education and research, sports and recreation and culture and arts. Education is mainly provided by the public sector, thus explaining its low popularity as a charitable cause. For culture and arts, however, the low percentage is only in part due to the long tradition of financial support by the government and other public entities. Moreover, Austria does not have a very developed culture of donating to support museums and art, as is common in Anglo-American countries. The large majority of all Austrian donors are low-income people who are not likely to donate to the field of arts and culture. Lastly, organizations active in the field of sports and recreation are not popular charitable causes because the vast majority of them are membership organizations, thereby generating their own income primarily through service fees and membership fees. Examples of such organizations are the Austrian Alpine Association (Alpenverein) and Friends of Nature (Naturfreunde).
2.3 Explaining philanthropic giving in Austria

In the following section, we analyze characteristics that are known to influence philanthropic behavior. First, we investigate whether or not certain characteristics impact the likelihood to donate to all charitable organizations. We then look separately at the factors that impact the likelihood to give to religious organizations and to secular organizations. Second, we investigate which characteristics impact the amount people give to charitable organizations.

2.3.1 Incidence of giving

Table 7.2 displays the results of three logistic-regression analyses investigating the factors that influence whether or not people give to charitable causes. The first three columns refer to total giving. According to our findings, older people are more inclined to give compared to younger ones. Compared to individuals with less than 35 years of age, those with ages 35 to 65 years have a 34 percent higher probability to give, and those older than 65 years have an 88 percent higher probability. Likewise, those who are more highly educated have a higher probability of giving. Compared to individuals with only a primary education, those who completed a secondary education have a 101 percent higher probability to give, and those who completed a tertiary education have a 149 percent higher probability.

Between men and women, there are no differences in the likelihood of making a donation. Likewise, income does not seem to impact the likelihood to give. People who are married, however, have a 79 percent higher probability of making a donation compared to unmarried people. Religious affiliation and religious attendance influence the inclination to give as well. People who belong to the Roman Catholic Church have a 65 percent higher probability to give compared to those who are not religiously affiliated. However, people with a Protestant religious affiliation do not significantly differ in inclination to give from people without an affiliation. Moreover, those who have other religious affiliations (e.g., Islam, Orthodox or Jehovah’s Witnesses) have a 66 percent smaller probability to give than those without one. With regards to religious service attendance, people who attend such services on a regular basis have a 185 percent higher probability of giving compared to those who do not regularly attend.

The results for the incidence of secular giving largely resemble the results for total giving (see the last three columns in Table 7.2). The only difference is that people between 35 and 65 years of age do not have a higher probability of making secular donations compared to those younger than 35 years.

The results for the incidence of religious giving differ from the findings for total giving in several aspects. As shown in Table 7.2, age does not impact the inclination to give to religious causes. People between 35 and 65 years of age
<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
<th>Odds ratio</th>
<th>B</th>
<th>S.E.</th>
<th>Odds ratio</th>
<th>B</th>
<th>S.E.</th>
<th>Odds ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>−0.55</td>
<td>0.33</td>
<td></td>
<td>−2.72</td>
<td>0.47</td>
<td></td>
<td>−1.06</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Aged between 35–65</td>
<td>0.29</td>
<td>0.17</td>
<td>1.34</td>
<td>0.04</td>
<td>0.22</td>
<td>1.04</td>
<td>0.17</td>
<td>0.17</td>
<td>1.18</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.63*</td>
<td>0.30</td>
<td>1.88</td>
<td>−0.03</td>
<td>0.33</td>
<td>0.97</td>
<td>0.73*</td>
<td>0.28</td>
<td>2.07</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.70**</td>
<td>0.23</td>
<td>2.01</td>
<td>0.21</td>
<td>0.28</td>
<td>1.23</td>
<td>0.86**</td>
<td>0.23</td>
<td>2.37</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.91*</td>
<td>0.37</td>
<td>2.49</td>
<td>0.54</td>
<td>0.43</td>
<td>1.72</td>
<td>1.03**</td>
<td>0.35</td>
<td>2.80</td>
</tr>
<tr>
<td>Male</td>
<td>−0.26</td>
<td>0.16</td>
<td>0.77</td>
<td>−0.16</td>
<td>0.19</td>
<td>0.85</td>
<td>−0.21</td>
<td>0.15</td>
<td>0.81</td>
</tr>
<tr>
<td>Married</td>
<td>0.58*</td>
<td>0.18</td>
<td>1.79</td>
<td>0.42*</td>
<td>0.21</td>
<td>1.53</td>
<td>0.45**</td>
<td>0.17</td>
<td>1.57</td>
</tr>
<tr>
<td>Income1</td>
<td>−0.66</td>
<td>0.47</td>
<td>0.52</td>
<td>−0.54</td>
<td>0.57</td>
<td>0.58</td>
<td>−0.52</td>
<td>0.45</td>
<td>0.59</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.50*</td>
<td>0.21</td>
<td>1.65</td>
<td>0.97**</td>
<td>0.35</td>
<td>2.63</td>
<td>0.60**</td>
<td>0.21</td>
<td>1.82</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.39</td>
<td>0.37</td>
<td>1.47</td>
<td>0.66</td>
<td>0.53</td>
<td>1.94</td>
<td>0.47</td>
<td>0.35</td>
<td>1.60</td>
</tr>
<tr>
<td>Other religious affil.</td>
<td>−1.08*</td>
<td>0.48</td>
<td>0.34</td>
<td>0.25</td>
<td>0.62</td>
<td>1.29</td>
<td>−0.86*</td>
<td>0.49</td>
<td>0.42</td>
</tr>
<tr>
<td>Regular religious attendancet2</td>
<td>1.05*</td>
<td>0.26</td>
<td>2.85</td>
<td>1.67**</td>
<td>0.22</td>
<td>5.31</td>
<td>0.49*</td>
<td>0.22</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Notes: 1 Household income measured by 13 categories (midpoint of each category in US$/10,000); 2 Regular religious service attendance measured by 0–1; 3 Secular giving comprises giving to organizations in the fields of animal protection, environment protection, international aid, public and social benefits, art and culture, sports and recreation, education, research, health, human rights, international emergency relief, national emergency relief, religion and politics; levels of significance: **p ≤ 0.01; *p ≤ 0.05; (+) p ≤ 0.10.
as well as those older than 65 years of age are not more inclined to give to religious organizations compared to those younger than 35 years. Moreover, people with higher levels of education do not have a higher probability of giving compared to those with a primary education. In contrast to the results for total giving, people who are affiliated with religious groups other than the Roman Catholic Church or Protestant Church have a smaller probability of religious giving compared to people without religious affiliation. Overall, religious church attendance seems to impact the likelihood of religious giving most: people who regularly attend church services have a 431 percent higher probability of giving compared to those who do not regularly attend such services.

2.3.2 Amount donated

To determine the factors that impact the amount donated, we conduct a Tobit regression analysis of the natural log of the total amount people gave to any charitable cause in 2008 (see Table 7.3). The results show that both age and education matter for the level of philanthropic donations. People who are between 35 and 65 years of age as well as those who are older than 65 years of age are predicted to donate more money than those who are younger than 35 years of age. With regards to level of education, people who have completed a secondary education are predicted to give 65 percent more money and those who have

<table>
<thead>
<tr>
<th></th>
<th>dy/dx</th>
<th>S.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35–65</td>
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<td>0.16</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.76**</td>
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<td>0.65**</td>
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<td>Tertiary education</td>
<td>0.84**</td>
<td>0.32</td>
</tr>
<tr>
<td>Male</td>
<td>−0.03</td>
<td>0.14</td>
</tr>
<tr>
<td>Married</td>
<td>0.64**</td>
<td>0.15</td>
</tr>
<tr>
<td>Income¹</td>
<td>−0.34</td>
<td>0.42</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>−</td>
<td>−</td>
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<td>Roman Catholic</td>
<td>0.51*</td>
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<td>Protestant</td>
<td>0.36</td>
<td>0.33</td>
</tr>
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<td>Other religious affiliation</td>
<td>−0.91(+)</td>
<td>0.47</td>
</tr>
<tr>
<td>Religious attendance²</td>
<td>0.94**</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Notes: ¹ Household income measured by 13 categories (midpoint of each category in US$/10,000); ² Regular religious service attendance measured by 0–1; ³ Three raw coefficients (B) have been transformed into dy/dx for reasons of interpretation; levels of significance: ** p ≤ 0.01; * p ≤ 0.05; (+) p ≤ 0.10.
completed a tertiary education are predicted to give 84 percent more compared to those with only a primary education.

There is no difference between men and women regarding the amount donated. Likewise, according to our results, income does not impact the amount of money people give. Conversely, married people not only have a higher probability of making donations in Austria but also donate higher amounts compared to unmarried people. They are predicted to donate 64 percent more money than their counterparts.

Regarding religious affiliation, people who belong to the Roman Catholic Church are predicted to give 51 percent more money than people with no religious affiliation. In contrast, people with other religious affiliations are predicted to give less money than those without an affiliation. Finally, regular religious attendance leads to higher philanthropic giving. People who attend religious services regularly are predicted to donate 94 percent more money than those who do not attend services.

3. Conclusion

In Austria, nonprofit organizations play an important role in social and economic life. There are more than 118,000 organizations – compared to about 8.4 million inhabitants – which deliver welfare services, participate in advocacy activities and serve as crucial vehicles for community building. A distinctive feature of the corporatist nonprofit regime in Austria is that nonprofits provide the overwhelming majority of all services in the fields of health and social services. Hence, they are an important economic force, employing about 120,000 people and contributing approximately 2 percent to the GDP.

Another feature of Austria’s corporatist arrangement is that the nonprofit sector receives large parts of its income from the public sector – with about 50 percent of funding stemming from this source in 2006. In contrast, merely 7 percent of nonprofits’ revenues originated from private philanthropy (Neumayr et al., 2007). The main reason for this small proportion of philanthropic income is that the population largely assumes that the government is responsible for social issues, since Austria has a well-established welfare state. However, with the vast enlargement of the possibility to deduct charitable donations from income tax in 2009, the population’s awareness for philanthropic giving has increased. These deductions support private philanthropy in a non-material way because they signal that the government appreciates and promotes charitable giving. Furthermore, the deductions provide financial incentives for donors. Due to the progressive tax system, the law granting deductions favors high-income people, which might help to stimulate giving by wealthy people and major donations. Nevertheless, it remains to be seen whether or not this law will help establish a culture of major donations in
Austria. Data from 2009 shows that about 10 percent of all people who declared their income had deducted charitable donations, with an average of US$251 per year. In the future, both the percentage of people who use the deduction and the amount of money deducted are expected to rise, as the population’s awareness of the possibility increases.

As of now, private philanthropy is not a strong source of funding for Austria’s nonprofit sector. Although two out of three people make charitable donations, the average amount of money donors give is very small in comparison to other countries: donors contributed on average only US$93 in 2008. The most favorite charitable causes are public and social benefit causes, religious organizations, nature and national emergency relief. Among all charitable subsectors, the greatest amount of money is donated to religious organizations. In 2011, about 25 percent of the total amount donated was given to these organizations, while the field of national emergency relief followed in close second with almost 20 percent (Neumayr & Schober, 2012). Similar to other countries, the likelihood to give and the amount of money donated increase with age and level of education. People who have a religious affiliation and who regularly attend religious services are more likely to donate, and donate higher amounts, in comparison to those without religious affiliations and those who do not regularly attend religious services. Marriage has a positive impact on giving; income, however, does not influence private philanthropy according to our data.

Therefore, Austrian philanthropic behavior is in many aspects similar to that of other countries, yet with some very distinctive qualities. It is one of the countries in Europe that only lately introduced and enlarged tax deductions for donations, and its legal regulations that apply to foundations are comparatively unique. With these qualities and a fully developed welfare state, Austria may take longer than other countries to establish a strong culture of philanthropic giving.

Notes

1. All values have been converted into US dollars, using the exchange rate of €1 = US$1.2972 (rate between October 31 and November 1, 2012, see www.oanda.com/lang/de/currency/historical-rates/).
2. 2.2 percent of all respondents had no idea or did not want to say to which charitable sector they had donated.
4. The average donation per adult relates to the average amount both non-donors and donors gave.
References


1. The philanthropic landscape

1.1 History

Nonprofit organizations emerged in Bulgaria at the start of the 19th century (Encyclopedia of Giving, 2012). A cornerstone institution accredited as the origin of Bulgarian civil society is the *chitalishte*, a multi-functional community center (Gavrilova & Elenkov, 1998; Kabakchieva & Hristova, 2012). The first chitalishte appeared in the 1850s, when the country was still a part of the Ottoman Empire. The centers were critical in preserving and developing Bulgarian culture and played an important role in the national revival and independence movement: ‘The chitalishte was both an educational and a nationalist institution, linked therefore to democracy (via education) and national identity’ (Valkov, 2009, pp. 431–432). Even after gaining independence, the state provided very little financing to nonprofits. Instead, donations from membership dues, fund-raising, entrepreneurial activities and donations from wealthy Bulgarians financed these organizations (Valkov, 2009). Close to 3,000 community centers exist today and continue to serve as libraries, education centers, music schools, theaters and more.

Bulgaria’s independence from the Ottoman Empire in 1878 further provoked the emergence of civic activity. Among the nonprofits were trade unions, women’s groups, organizations for the disabled, veteran groups, tourism groups, hunters associations and the temperance movement (Encyclopedia of Giving, 2012). Some of the organizations boasted extensive memberships; for instance, the Union of Bulgarian Cyclists counted 26,144 members (Valkov, 2009). Numerous philanthropic groups were also active, including the Society for Fighting Tuberculosis and the Union for the Protection of Children.

However, in 1934, the Legal Act on State Supervision of Associations rendered nonprofit organizations subject to government control. State power over nonprofits was further expanded with the start of communist rule in 1944.
In particular, a 1951 decree by the Council of Ministers rendered charity organization illegal and nonprofits were liquidated, nationalized and assimilated in the subsequent years: ‘The only organizations left to work were those that took into consideration the ideological restrictions and at the same time served as a vent for the civil initiative. Those were cultural organizations (cultural centers, youth clubs and amateur groups), educational and sports nonprofits. The scientific and sports associations became totally state controlled’ (Gorchilova, 2010b, p. 88).

With the transition from communism during the 1990s, Bulgaria witnessed large numbers of new registrations of nonprofit organizations: on average 2,500 new nonprofit organizations were founded each year (Gorchilova, 2010b). This trend was largely spurred by foreign donor money entering the country (Kabakchieva, 2001). In the 1990s, foreign donors accounted for over 70 percent of funding for Bulgarian nonprofits. The most important of these donors were George Soros’ Open Society Foundation (financing approximately 16 percent of Bulgaria’s nonprofit budgets), the EU’s PHARE and other accession programs (about 23 percent), government support by the United States, Switzerland, Norway and Japan (28 percent) and the UNDP and private foundations (6 percent).

In the past 20 years, the landscape of giving has transformed significantly (Center for the Study of Democracy [Центр за изследвания на демокрацията, CSD], 2010). The share of foreign funding to Bulgarian nonprofits has declined to about 40 percent. This significant drop of foreign assistance is due to the growing incomes in Bulgaria and the country’s entry into the European Union (EU): ‘Bulgaria’s accession to the EU brought a considerable shift in the available foreign funding sources. The so-called pre-accession funds were gradually closed. The “Open Society” foundation was transformed into a think tank and no longer financed nonprofits. The United States Agency for International Development realized its “exit strategy” and quit functioning in Bulgaria in 2008’ (Gorchilova, 2010a, pp. 84–85).¹

Due to the economic crisis in the last several years, the Bulgarian state has also withdrawn its support for nonprofits. As a result, nonprofit organizations’ revenue from economic activities and individual and corporate giving became more important (Gorchilova, 2010a). The EU membership in 2007 opened new opportunities for financing; however, Bulgarian nonprofits have yet to take full advantage of them. These factors have thus created a demand for the professionalization of fund-raising. Several expert institutions have emerged, promoting and implementing philanthropic best practices, publishing information materials, hosting training workshops and conducting and popularizing analyses on the state of giving in the country.

The Bulgarian nonprofit sector continues to undergo changes that reflect the overall political, social and economic transition of the country, where
international influences have played a key role. EU accession has helped transform the legal and regulatory system of the country. Multinational corporations have introduced new technologies, know-how and management style. Similarly, international non-governmental organizations (NGOs) have introduced new practices into the nonprofit sector. For example, the Bulgarian Charities Aid Foundation (Фондация Помощ за Благотворителността в България, BCAF) is part of the global Charities Aid Foundation (CAF) network and has been central in the process of modernizing philanthropy in the country. Additionally, corporate social responsibility (CSR) has grown through the presence of multinational corporations and various international initiatives including those by the European Commission, the UN’s Global Compact, the Bulgarian Business Leaders Forum (Български форум на бизнес лидерите, BBLF), as well as via various foreign chambers of commerce. The BBLF gives out the annual ‘Responsible Business Awards,’ and the Bulgarian Donors Forum (Български дарителски форум, BDF) presents the ‘Corporate Donor of the Year,’ showcasing model donors and their practices. CSR in Bulgaria primarily is implemented via charitable giving (Alpha Research, 2006).

Thus, Bulgaria has experienced a more top-down development of its nonprofit sector, with a vital role played by international organizations that channel best practices. Gradually, these procedures have taken hold and spread across nonprofits, firms and society. However, that process is at an early stage and continues to undergo transition mired in various problems outlined below.

1.2 Size and scope of the nonprofit sector in Bulgaria

In 2012, there were over 34,000 registered nonprofit organizations in Bulgaria according to the Bulgarian Center for Nonprofit Law (Българският център за нестопанско право [BCNL]). In the same year, nearly 7.3 million people lived in the country (National Statistical Institute, 2013). Of those organizations, nearly 10,000 were registered for the public benefit (as opposed to nonprofits that are formed for mutual benefit). Inactivity rates among those organizations are fairly high according to the Bulgarian Center for Nonprofit Law, the USAID’s Civil Society Organizations Sustainability Index Report (2012) and the CIVICUS Civil Society Index (2011). It is estimated that about 1,000 to 2,500 of those public benefit organizations are permanently active.

The total revenue of the nonprofit sector was approximately US$270 million in 2009 (CIVICUS, 2011). Nonprofits vary greatly in their budget and staff sizes (Gancheva, 2008). According to a representative study of 400 NGOs by the Bulgarian Center for Nonprofit Law, three-fourths of the organizations operate with an annual budget of up to US$67,000, while one-third of the NGOs run on less than US$3,300 per year (BCNL, 2005). Financial volume is closely linked to staff size. Close to 40 percent of all nonprofits operate without paid employees, and another 40 percent of the nonprofits with employees have fewer than five
The most extensive database is the Bulgarian Center for Nonprofit Law NGO Charity Portal, which lists over 5,000 nonprofits by activity area. Table 8.1 presents the types of nonprofit organizations in Bulgaria in 2013. The largest two sectors are in the Education and Social services fields, followed by Arts and Culture and the Children and Youth. The sectoral make-up observed here mirrors the findings presented by CIVICUS and the USAID’s Sustainability Index, which use different data sources.

Table 8.1 Types of nonprofit organizations in Bulgaria in 2013

<table>
<thead>
<tr>
<th>Sphere of activity</th>
<th>Number of organizations</th>
<th>Share of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>876</td>
<td>15.6%</td>
</tr>
<tr>
<td>Social services</td>
<td>564</td>
<td>10.1%</td>
</tr>
<tr>
<td>Arts and culture</td>
<td>522</td>
<td>9.3%</td>
</tr>
<tr>
<td>Youth and children issues</td>
<td>432</td>
<td>7.7%</td>
</tr>
<tr>
<td>Promoting economic development</td>
<td>363</td>
<td>6.5%</td>
</tr>
<tr>
<td>Environment</td>
<td>306</td>
<td>5.5%</td>
</tr>
<tr>
<td>Health care/patient’s rights</td>
<td>261</td>
<td>4.7%</td>
</tr>
<tr>
<td>Protection of human rights</td>
<td>239</td>
<td>4.3%</td>
</tr>
<tr>
<td>Legislation, advocacy, public policy</td>
<td>232</td>
<td>4.1%</td>
</tr>
<tr>
<td>International and European issues</td>
<td>210</td>
<td>3.7%</td>
</tr>
<tr>
<td>Ethnic issues</td>
<td>158</td>
<td>2.8%</td>
</tr>
<tr>
<td>Promotion of philanthropy and volunteerism</td>
<td>130</td>
<td>2.3%</td>
</tr>
<tr>
<td>Development of local communities/neighborhood associations</td>
<td>110</td>
<td>2.0%</td>
</tr>
<tr>
<td>Professional organizations</td>
<td>106</td>
<td>1.9%</td>
</tr>
<tr>
<td>Branch organizations</td>
<td>106</td>
<td>1.9%</td>
</tr>
<tr>
<td>Interest clubs</td>
<td>96</td>
<td>1.7%</td>
</tr>
<tr>
<td>Local action groups</td>
<td>91</td>
<td>1.6%</td>
</tr>
<tr>
<td>Women’s/gender issues</td>
<td>85</td>
<td>1.5%</td>
</tr>
<tr>
<td>Community centers</td>
<td>62</td>
<td>1.1%</td>
</tr>
<tr>
<td>IT development</td>
<td>57</td>
<td>1.0%</td>
</tr>
<tr>
<td>Grant making</td>
<td>32</td>
<td>0.6%</td>
</tr>
<tr>
<td>Sports</td>
<td>29</td>
<td>0.5%</td>
</tr>
<tr>
<td>Other</td>
<td>537</td>
<td>9.6%</td>
</tr>
<tr>
<td>Total</td>
<td>5,604</td>
<td>100%</td>
</tr>
</tbody>
</table>

Notes: data for the charity portal is based on various sources, including the Ministry of Justice central registry of public benefit NGOs, conferences of NGOs and donors’ programs. Excluded from the dataset are sports clubs and chitalishte community centers.

Although Bulgaria has not been classified by Salamon and Anheier (1998), its nonprofit sector most closely fits the statist system. The statist route of third sector development is characterized by ‘low levels of government social welfare spending accompanied by a relatively small nonprofit sector’ (Salamon & Anheier, 1998, p. 243). Bulgaria allocated 15 percent of its GDP for social protection expenditures, compared to an EU average of 26 percent in 2008 (Eurostat, 2012). Nevertheless, Bulgaria’s ongoing transition may signal a shift toward a liberal system, where a sizeable nonprofit sector operates in the context of limited government support.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

Consistent and reliable data on state financing for the nonprofit sector in Bulgaria is not readily available, but existing estimates suggest that it is relatively small. The most direct evidence comes from a Bulgarian Center for Nonprofit Law study in 2005, showing that government subsidies make up about 8 percent of the revenue of Bulgaria’s nonprofit organizations (BCNL, 2005). State financing is delivered in the form of federal subsidies and grants. Government subsidies are extended to a very limited number of nonprofits that tend to be large organizations with prominent status, such as the Red Cross (Gorchilova, 2010a). Another government-funding mechanism is through grants, which provide approximately US$640,000 annually to the sector. Additional state support for nonprofits comes from EU funding for civil society development. Prior to EU membership, these funds were allocated directly from the EU to nonprofit organizations. Since 2007, the funds have been channeled through the Bulgarian state and administered by the office for Operational Programme Administrative Capacity. However, according to the USAID Sustainability Index Report (2012), no EU funding has been distributed for civil society development or capacity building for at least three years. Moreover, with the economic downturn of 2008, most state funding to nonprofits has been eliminated. Although the 2012 government budget made some increases in state subsidies to particular organizations, grant funding for nonprofits was cut entirely.

The recent financial crisis has provoked not only less state funding for nonprofits but also greater reliance on private philanthropy to deliver public services. Government budget restraints and limited financing of basic public goods and services, including hospitals, infrastructure and limited pay for staff, has required nonprofits to step in and fill the role of public goods providers where the government fails to do so (CSD, 2010). This is evident in the dominance of education, social services and health-related activities among nonprofits. This trend is also apparent in the growing prevalence of corporate philanthropic donations going directly to government institutions, including
to public hospitals or state orphanages for basic supplies and unpaid salaries of medical staff, and – perhaps more troubling – to the police or the interior ministry (Angelov, 2011; European Commission, 2012; Yordanova & Petrov, 2013).

In fact, most of the charitable giving in the country goes to state institutions, including to schools, hospitals or museums (CSD, 2010; BDF, 2012). This is true for both individual and corporate donations: only 38 percent of individual giving went to nonprofit organizations and less than 17 percent of the 8,684 companies donating to charity in 2010 gave to NGOs (Angelov, 2011).

1.3.2 Fiscal incentives

In Bulgaria, private individuals and corporations are subject to a 10 percent flat tax. Donations to public benefit organizations are tax deductible for individuals and companies. According to the Law on Individuals Income Taxation, persons can deduct up to 5 percent of their annual income, while the Law of Corporate Income Taxation stipulates that corporations may deduct up to 10 percent of their total revenue. Tax incentives vary also across donation recipients. The lowest tax preference is given when donations are made to non-governmental charity organizations, with a deduction of up to 5 percent of income. Much higher deductions can be made when donating to state institutions. The tax write-off goes up to 50 percent for a select number of state initiatives like the Children’s Treatment Fund, the Assisted Reproduction Fund or the Transplant Fund (Angelov, 2011; BCNL, n.d.).

Overall, tax incentives do not appear an important incentive for individual donors. According to the Bulgarian Donors Forum, less than 1 percent of Bulgarians report donating because of the tax relief (Kabakchieva, 2011). Few individuals take advantage of these deductions in their annual tax returns. This is evident in the tax data from 2011, which only lists 271 individuals as having made a charitable donation that year (BDF, 2012). These tax figures include medium and large individual donations only, and thus ignore the vast majority of small donations, which do not get reported to tax authorities. Tax incentives are more relevant for companies. According to data from the Bulgarian National Revenue Agency, over 90 percent (US$31 million) of the total amount of donations reported in the 2010 tax returns came from corporate donors (Angelov, 2011).

The Bulgarian tax system offers several tax benefits directly to the organization. Nonprofits that have legal status as public benefit organizations are tax-exempt. Specifically, they are exempt from income tax on grants, donations and membership fees (USAID, 2012). Nonprofits still pay municipality and (if applicable) property taxes, and their staff is subject to social security taxes. In addition, there are some nonprofit and fund-raising transactions that are subject to the 20 percent value added tax (VAT). Until recently, SMS text
messages for charities were subject to VAT. This policy especially received criticism after a UNICEF Haiti disaster relief fund-raise in 2010, when it became known that for every SMS dollar donated, about 15 cents went to VAT and 40 cents to the phone companies (Yordanova & Petrov, 2013). Following the public outcry, the Council of Ministers reimbursed the taxes collected at that event, and the government waived the VAT on charity texts entirely.

1.4 Regulation of the nonprofit sector

Nonprofit organizations in Bulgaria are regulated through the Nonprofit Legal Entities Act that came into effect in 2001 (BCNL, n.d.). The legislation spells out particular registration procedures and establishes the relationship of the nonprofit sector with the state. The legal environment is considered enabling despite some challenges in the registration process of nonprofits (CIVICUS, 2011). Two types of nonprofit organizations are recognized under the law: membership-based associations and property-based foundation organizations. Either type can be established for the private or the public benefit. Public benefit organizations must submit annual financial reports to the Ministry of Justice to ensure accountability.

Voluntary audits by nonprofits are rare as few organizations can afford them (USAID, 2012). There are several coalitions that have formed among nonprofits that aim to further regulate and institutionalize nonprofit activities in particular issue areas. Examples are the Civic Participation Forum and the National Network for Children. To date, there is no self-regulation or voluntary certification in place. Some early efforts toward developing a Code of Ethics have been made through an initiative by the Workshop for Civic Initiatives Foundation (Фондация Работилница за граждански иницииативи [WCIF]), but no concrete result has materialized as of yet (USAID, 2012).

1.5 Culture

1.5.1 Religion

According to the 2011 Census data displayed in Table 8.2, 76 percent of Bulgarians identified themselves as Orthodox Christians and 10 percent as Muslims. Catholics and Protestants each make up 1 percent of the population. Seven percent of the population declined to declare a religion. Still, despite this identification with various religions, Bulgaria has a low degree of religiosity and is largely a secular state. Only 7 percent of Bulgarians report attending religious services at least weekly (World Values Survey, 2011).

As can be observed in Table 8.2, religious affiliation is closely intertwined with ethnic group status in Bulgaria. While 87 percent of ethnic Bulgarians are Orthodox, that confession is held only by 1 percent of the ethnic Turkish group. The vast majority (88 percent) of ethnic Turks are Muslims. Romas are more diverse in their religious composition. Thirty-seven percent of ethnic
Table 8.2  Religious composition by ethnicity, in percent of the total, Bulgaria 2011

<table>
<thead>
<tr>
<th>Ethnic groups by confession</th>
<th>Bulgarian</th>
<th>Turkish</th>
<th>Roma</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthodox</td>
<td>86.7</td>
<td>1.0</td>
<td>36.7</td>
<td>76.0</td>
</tr>
<tr>
<td>Muslim</td>
<td>1.5</td>
<td>87.6</td>
<td>18.3</td>
<td>10.0</td>
</tr>
<tr>
<td>Catholic</td>
<td>0.9</td>
<td>0.2</td>
<td>0</td>
<td>0.8</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.7</td>
<td>0.5</td>
<td>10.3</td>
<td>1.1</td>
</tr>
<tr>
<td>No religion</td>
<td>4.6</td>
<td>2.9</td>
<td>13.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Not stated</td>
<td>5.6</td>
<td>7.8</td>
<td>21.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Bulgarian Census data 2011 (NSI, 2011, pp. 26–27). No ethnic breakdown is available for respondents reporting other religion.*

Romas are Orthodox, 18 percent are Muslims and 10 percent are Protestants, which is a significantly higher percentage in comparison to the share of Protestants in the national population. The share of people who report no religious affiliation is highest among the Roma (13 percent), followed by ethnic Bulgarians (5 percent) and then those of Turkish ethnicity (3 percent). Similarly, the percentage of respondents not stating a religion is highest among ethnic Romas: 21 percent compared to a national average of 7 percent.

There is no church tax in Bulgaria, and public opinion data indicates a marginal role of the church when it comes to charity: ‘The very limited role of the Orthodox Church and other religious institutions make them marginal to societal development’ (CIVICUS, 2011, p. 26). A survey by the Open Society Institution (Институт Отворено Общество, OSI) finds that 52 percent of Bulgarians believe that the Bulgarian Orthodox Church does not care enough for social issues (OSI, 2010). Still, a quarter of Bulgarians report having given money in a donation box of a religious temple (OSI, 2011).

1.5.2  Professionalism of fund-raising

1.5.2.1  Organization of fund-raising

Although still at an infancy stage, the professionalization of fund-raising has emerged as an important development in the Bulgarian philanthropic sector. Nonprofits recognize the importance of fund-raising skills and are interested in trainings and seminars. For example, more than 450 people from 290 nonprofit organizations applied for workshops on fund-raising, nonprofit legal issues and economic activities organized by the Bulgarian Center for Non-profit Law in 2011 (USAID, 2012).

In addition, two institutions – the Bulgarian Charities Aid Foundation and the Bulgarian Donors Forum – have launched initiatives on volunteering, corporate social responsibility, payroll giving and SMS donations. Currently,
over 60 employers and their employees partake with regular monthly paycheck deductions to select causes in the ‘More and More’ payroll campaign launched in 2001. This fund-raising mechanism is largely implemented by big multinational companies and is therefore limited in scope as most Bulgarians are employed in small firms.

SMS campaigns, in contrast, are popular and frequent. The Bulgarian Charities Aid Foundation and the Bulgarian Donors Forum manage a Unified Charitable Number (DMS), which is a platform for SMS giving that aims to facilitate that way of giving and fund-raising. Most Bulgarians report having sent an SMS for a charity campaign (Bulgarian Donors Forum, 2014). SMS campaigns frequently focus on collecting money for children, including medical treatment of children abroad, disabled children or early child development. Other SMS campaigns raise funds for disaster relief (e.g., the 2010 Haiti earthquake or the 2012 floods in the Bulgarian village of Biser and the earthquake in the town of Pernik). SMS fund-raising campaigns have been initiated by a variety of organizers including by UNICEF or the SOS Children Villages, state initiatives like the yearly ‘Bulgarian Christmas’ and even TV shows like VIP Big Brother (Hristova, 2011). While it may appear counterintuitive that most of these fund-raisers are not NGO driven, it is a reflection of public perceptions and trust. When asked in a poll, ‘Who should organize a charity campaign so that you would participate?’, the clear front-runner with 39 percent support were public institutions, followed by the media with 35 percent support, and only 16 percent for NGOs (OSI, 2009).

1.5.2.2 Major donors
As all else, the broad landscape of major donations by private individuals has changed substantially with the political regimes in Bulgaria. There are significant examples of large and visible donations before communism and as early as the mid-1800s during the Bulgarian cultural Renaissance within the Ottoman Empire. The first Bulgarian high school opened doors in the town of Gabrovo and to this day carries the name of Vasil Aprilov, a rich local trader who donated the money for its construction. Bulgaria’s most prestigious university, the Sofia University, was later built with a large donation from the Evlogi and Hristo Georgievi brothers. The statutes of the two brothers stand at the main entrance of the university in the middle of Sofia. Lower income individuals also contributed with free labor. For example, the Alexander Nevski Cathedral that defines the center of Sofia was built by largely volunteer labor.

Communism ended that practice, at least the practice of large monetary donations (although one could argue that volunteer labor under communism was still such sometimes). And, unfortunately, the large monetary donations did not resume with the reestablishment of democracy and a market-based economy. There are no significant, visible donations by private individuals in
the last 25 years. The reason is probably rooted in the ways of amassing wealth in the early post-communism years. There is widespread secrecy about the origin of various people's wealth with strong suspicions of corruption and other illegal activities.

Nonetheless, there are some early examples of the reemergence of private donor activities by people with transparent businesses. One notable example is the donation of 500,000 euro in books to the Bulgarian chitalishte system by Ognyan Doinov, an owner of a large pharmaceutical company. Another example is the Karin Dom Foundation, which supports disabled children. This foundation was established in 1994 by Ivan Stancioff, former Bulgarian Ambassador to the United Kingdom and to the Republic of Ireland and ex-Minister of Foreign Affairs. A curious example is the donation by Simeon II, the exile son of the last Bulgarian tzar before communism who came back to Bulgaria and became Prime Minister for the period 2001–2005. He donated to the Sofia Municipality a large privately owned park, called Vrana, next to Sofia. Also, more recently, famous Bulgarians have served as spokespeople for particular charities, like soccer star Dimitar Berbatov who is UNICEF’s Goodwill Ambassador.

Still, these are isolated examples. We expect that with the gradual shift of the economy toward more transparency and the change of generations at the top income and wealth brackets, major private donations could resume in the future. As of now, however, there is little evidence of such a trend.

1.5.2.3 The role of financial advisory professionals

The role of financial advisory professionals is very limited or nonexistent. Professional specialists in the field of philanthropy provide advice on fund-raising to charity organizations rather than individual donors. Still, some financial advice is provided to donors by the above-mentioned organizations that promote the process of professionalization in philanthropy – namely, the Bulgarian Charities Aid Foundation and the Bulgarian Donors Forum. For instance, the BDF assists its corporate members on tax questions relating to giving and has published on its website several information brochures containing basic financial advice for individual donors.

1.6 Other relevant characteristics for Bulgaria

1.6.1 Low levels of social trust

Some of the lowest levels of social trust in Europe are found in Bulgaria (Raiser, Haerpfer, Nowotny, & Wallace, 2001; Fidrmuc & Gerxhani, 2004). Consistently, data reports low levels of generalized trust (e.g. Eurobarometer, European Value Survey). When asked whether most people can be trusted, 70 percent of Bulgarians state that they need to be very careful (CIVICUS, 2011). Similarly, distrust is high toward a range of governmental institutions. While 2 percent
report trusting parliament to a very great extent, half of Bulgarians trust this institution only to a very small extent (OSI, 2012). Public trust in political parties is even lower, with 1 percent reporting great trust and 53 percent holding very small trust (OSI, 2012). Foreign institutions tend to have greater legitimacy, including the EU and the UN (Kabakchieva & Hristova, 2012). A recent poll by the OSI confirms this: 37 percent stated greater trust in EU institutions compared to the 17 percent who reported greater trust in Bulgarian institutions.

Nonprofits are not immune to the low levels of public trust found in the country, as several reports on the Bulgarian nonprofit sector have shown. According to the 2009 NGO Sustainability Index (USAID, 2010), only 22 percent of the Bulgarian public stated that they trust NGOs. In a public opinion poll on the third sector, the OSI (2009) asked, who are the most authentic representatives of civil society. Nearly one-third of the respondents stated that there is no authentic civil society in Bulgaria. With 12 percent, NGOs ranked fourth on authenticity, preceded by students (26 percent), pensioners (19 percent) and environmentalists (15 percent). Three years later in a follow-up survey, only 2 percent of respondents could name an NGO in which they trust (OSI, 2012). The lack of legitimacy of NGOs is at least partially due to their lack of visibility: the public remains relatively unaware of the goals and activities of the sector (Kabakchieva & Hristova, 2012). Low trust has been identified as a key obstacle for the nonprofit sector in Bulgaria (USAID, 2010, 2012; CIVICUS, 2011). Concretely, trust hinders nonprofits' progress and their ability to transition and become more sustainable: ‘on the one hand, the organizations have gained sufficient experience in the last 20 years, but on the other they do not enjoy the citizens’ trust’ (Kabakchieva & Hristova, 2012, p. 31).

Indeed, the literature identifies social trust as a vital condition for engagement in and support of civic associations (Putnam, 2000; Uslaner, 2003). Not only are people with higher levels of social trust more likely to participate in social organizations (e.g., Stolle, 2001; Hooghe, 2002), they are also more likely to volunteer (e.g., Brown & Ferris, 2007). In addition, these low levels of trust potentially have important implications for people's willingness to give. In particular, numerous studies have shown that higher trust leads to more giving (Bekkers, 2003; CAF, 2006; Wang & Graddy, 2008; Charity Commission, 2010; Evers & Gesthuizen 2011). We will therefore explore the effects of trust on giving in more detail in the next section of this chapter.

2. Explaining philanthropy in Bulgaria

2.1 Data and methods

We use data from a Bulgarian nationally representative survey. The survey was carried out by Vitosha Research, one of the major polling agencies in Bulgaria, and their network of professional interviewers in November 2010. The random
sample included a total of 1,016 interviewees, which is the standard sample size for representative national surveys in Bulgaria. After excluding missing data, our sample size for the analysis is 953. Respondents were selected based on a random sample of the Bulgarian population aged 18 and older, stratified by region and the size of the settlement. The unit of measurement of donation behavior is the individual. The data shows only the incidence of giving, not the amount donated.

The incidence of giving was measured with the following survey item: respondents were asked whether they strongly agree, agree, neither agree nor disagree, disagree or strongly disagree with the statement, ‘I have donated money to a charity during the past three years.’ Of the total number of respondents, 4 percent did not provide information on donations.

We test for the effects of various socio-demographic characteristics including gender, education, income and age on giving. Fifty-eight percent of respondents are female. Respondents’ average age is 52. The youngest respondent is 18 and the oldest is 89 years old. Monthly income is measured in 11 categories, capturing income in 100 Bulgarian leva increments, which corresponds to about US$65 (1 = up to 99 leva ... 11 = 1,000 leva or more). The mean level of income is 6.16, which corresponds to about 550 leva or US$360, mirroring per capita income measures from other sources (such as Eurostat). Respondents selected from five education categories (1 = less than primary; 2 = primary; 3 = high school; 4 = some college; 5 = college degree; 6 = higher). Our data does not distinguish between religious and secular giving. However, we measure institutional trust with two survey items: ‘One can generally trust charity organizations’ and ‘One can generally trust Bulgarian government institutions.’ Answer options ranked from 1 to 5, with the value of 1 for respondents who strongly agree and 5 for respondents who strongly disagree with the respective statements. For our analysis, we recoded these variables in reverse order.

2.2 Descriptive results

According to the 2010 survey, there is a similar number of donors and non-donors. As shown in Table 8.3, 43 percent of respondents have donated money to a charity in the past three years, with 48 percent not having done so and 9 percent uncertain whether or not they have given. While 18 percent strongly agree that they have donated money to a charity during the past three years, 25 percent strongly disagree with the statement.

We find important differences in giving when comparing people who trust and those who distrust charity organizations. In Table 8.3, we display giving patterns in the column labeled ‘Trust’ for those respondents who strongly agree or agree with the following statement: ‘One can generally trust charity organizations.’ In the column labeled ‘Distrust,’ we provide the distribution of giving for those respondents who disagreed or strongly disagreed with the statement.
Table 8.3 Percentage of donors and trust in Bulgaria, 2010

<table>
<thead>
<tr>
<th>I have donated money to a charity during the past three years</th>
<th>All</th>
<th>Trust</th>
<th>Distrust</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>18.1</td>
<td>24.5</td>
<td>15.5</td>
<td>9.0***</td>
</tr>
<tr>
<td>Agree</td>
<td>25.3</td>
<td>35.0</td>
<td>20.8</td>
<td>14.2***</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>8.7</td>
<td>5.0</td>
<td>10.6</td>
<td>-5.6***</td>
</tr>
<tr>
<td>Disagree</td>
<td>23.2</td>
<td>15.5</td>
<td>27.8</td>
<td>-5.3*</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>24.7</td>
<td>20.0</td>
<td></td>
<td>-12.3***</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Note: ***(*) indicates statistical significance at the 1(10) percent level based on a t-test.

The table shows that respondents who report trusting charity organizations more frequently report charitable giving. While almost 60 percent of those who trust have given, only 36 percent of those who distrust charities have done so. Uncertainty about giving is larger for respondents who distrust charities (11 percent) and smaller for those who trust (5 percent). Of those who trust charity organizations, 35 percent report not having donated money; among the distrusting, this percentage of non-donors is much larger, reaching 53 percent.

2.3 Explaining philanthropic giving in Bulgaria

2.3.1 Incidence of giving

Next, we implement multinomial analysis to identify the separate influences of the trust variables and the demographic variables on the incidence of giving. Specifically, we estimate logit models, where the dependent variable takes the value 1 for respondents who agree or strongly agree that that they have donated to charity, and 0 otherwise. For robustness, we also estimate ordered probit models, where the dependent variable takes five values ranging from strongly agree to strongly disagree. We obtained similar results that are available upon request.

In Table 8.4, we report the estimated coefficients as well as the log-odds ratios using a logit model. Note also that all models are estimated with ‘robust’ standard errors to reduce the influence on outliers on the estimated coefficients.

According to the column (1) results, Bulgarians between the ages of 35 and 65 are significantly less likely to give to charity compared to their younger counterparts. People aged 35–65 have a 33 percent lower probability of making donations compared to those under 35. The same holds true for those aged 65 and above, who have a 39 percent lower probability to give to charity compared to those younger than 35. These significant age findings likely capture generational effects. We see differences between the younger generation that was raised after communism and the older generation that spent most of their
Table 8.4  Explaining giving in Bulgaria, 2010: Logit estimations

<table>
<thead>
<tr>
<th></th>
<th>(1) B</th>
<th>S.E.</th>
<th>Odds ratio</th>
<th>(2) B</th>
<th>S.E.</th>
<th>Odds ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35–65</td>
<td>−0.40(*)</td>
<td>0.14</td>
<td>0.67</td>
<td>−0.40(*)</td>
<td>0.15</td>
<td>0.67</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>−0.49(*)</td>
<td>0.16</td>
<td>0.61</td>
<td>−0.47(*)</td>
<td>0.17</td>
<td>0.62</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>1.08***</td>
<td>0.69</td>
<td>2.95</td>
<td>1.06***</td>
<td>0.69</td>
<td>2.89</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.63***</td>
<td>1.42</td>
<td>5.09</td>
<td>1.59***</td>
<td>1.40</td>
<td>4.93</td>
</tr>
<tr>
<td>Male</td>
<td>−0.48***</td>
<td>0.11</td>
<td>0.62</td>
<td>−0.42**</td>
<td>0.12</td>
<td>0.66</td>
</tr>
<tr>
<td>Income¹</td>
<td>0.18***</td>
<td>0.04</td>
<td>1.19</td>
<td>0.17***</td>
<td>0.04</td>
<td>1.19</td>
</tr>
<tr>
<td>Government trust²</td>
<td>−0.01</td>
<td>0.09</td>
<td>0.99</td>
<td>0.36***</td>
<td>0.12</td>
<td>1.44</td>
</tr>
<tr>
<td>Charity trust³</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of Observations</td>
<td>756⁴</td>
<td></td>
<td></td>
<td>714</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: ***p ≤ .001; **p ≤ .01; * p ≤ .05; (+) p ≤ .10; We estimate a logit model with a dummy variable that equals 1 if a respondent reported having donated money to a charity during the past three years and zero otherwise; ¹Monthly household income measured in 11 categories (1 = up to 99 leva; 2 = 100–199 leva…10 = 900–999; 11 = 1,000 leva or more); ²One can generally trust Bulgarian government institutions’ (1 = strongly disagree;…; 5 = strongly agree); ³One can generally trust charity organizations’ (1 = strongly disagree;…; 5 = strongly agree); ⁴The number of observations drops from 953 to 756 (and 714, respectively) due to missing observations on the control variables (notably, income).
life under a totalitarian regime, where the government served the primary caretaker role. Not only is the younger generation most likely to give, but they also are the most involved in other forms of civic participation; in the transition countries, the young are most engaged and the elderly are least likely to partake in civic life (Fidrmuc & Gerxhani, 2004).

Education also has a significant effect on giving. We see that respondents with secondary education have a 195 percent greater probability to give to charity compared to those with less education. Similarly, those with higher education have a 409 percent higher probability of giving compared to those with less than secondary schooling controlling for income, age and gender. Bulgarian men are significantly less likely to give compared to female respondents: men have a 38 percent lower probability to give to charity than women. With every one unit increase in the income level (about US$65 per month), the probability to give increases by 19 percent.

In column (2), we add to our model the measures of trust, which we have identified earlier in the chapter as particularly relevant obstacles to philanthropy in this transition country. With some of the lowest levels of social trust in Europe (Raiser et al., 2001; Fidrmuc & Gerxhani, 2004; USAID, 2012), Bulgaria makes a particularly interesting case study for the exploration of the effects of trust on philanthropic giving. Both trust variables range from 1 to 5. Charity trust takes the value of 1 if a respondent strongly disagreed that charitable organizations can be trusted, and 5 if a respondent strongly agreed. Similarly, the trust in government variable takes the value of 1 for people who strongly disagreed that the Bulgarian government can be trusted and 5 when a respondent strongly agreed that the government can be trusted. Note that 34 percent of the respondents express trust in charitable organizations while only 25 percent of the respondents trust the government.

As shown in Table 8.4, trust in charity organizations is an important predictor for whether or not people give. The likelihood of giving increases by 44 percent with each additional increase in the charity trust variable from 1 to 5. This has important implications for the nonprofit sector: raising individuals’ trust in their organizations will have important positive effects on individual donations. Furthermore, Bulgarian philanthropy is not hindered by low levels of governmental trust in terms of individual giving, as shown in the data by having no significant effect. Thus, even in the context of low governmental trust, charitable fund-raising can have success.

While we may expect the low trust in government to reduce the incidence of giving, we have found that much of Bulgarian charitable giving acts as a substitute for the inadequate government services, especially with respects to health and education. From this perspective, the low level of trust in government raises charitable giving. Thus, the net effect on Bulgarian giving results from two separate effects: low generalized level of trust lowers giving, while the
need to supplement government services raises giving. The two effects cancel each other out, and we observe a non-significant overall effect.

3. Conclusion

Bulgaria’s philanthropic sector is characterized by continued social changes. Key transformations include the implementation of global giving standards, modern fund-raising techniques and the professionalization of nonprofits. The developments in the Bulgarian nonprofit sector mirror the transition paths of the overall society. Rather than the nonprofit sector developing bottom-up like Bulgarian chitalishte system, top-down forces have redefined present-day philanthropy, as observed through both for-profit and nonprofit institutions. On the one hand, philanthropy promoting NGOs like the Bulgarian Charities Aid Foundation or the Bulgarian Donors Forum introduce and implement international best practices, professionalizing the sector. They assist donors on how to more effectively give and instruct nonprofits on modern fund-raising techniques, including the promotion of new giving methods like payroll or SMS donations. In addition, policy institutes and think tanks monitor and study philanthropy in the country, including reports and analyses from the Open Society Institute, the Center for the Study of Democracy and the Bulgarian Center for Nonprofit Law. Knowledge is thereby transferred from their global partners, including the Charities Aid Foundation in the United Kingdom and the United States, as well as the various international foundations that fund these endeavors. Similarly important in this transition process is CSR, which has grown more prominent through the presence of multinational corporations and various international initiatives. The rise of corporate giving and the professionalization of both fund-raisers and donors are reshaping the nonprofit sector. Through these private and public forces, global philanthropy norms and best practices are disseminated and assimilated as this knowledge is adjusted to the specific local context in Bulgaria.

The need for local fund-raising has become more important as foreign support has gradually declined over the years. With increasing incomes and entry into the EU, foreign assistance of Bulgaria’s nonprofit sector has sharply dropped and continues to be phased out (CSD, 2010; Gorchilova, 2010a). As Bulgarian charities rely increasingly on domestic donations, they also depend more heavily on people’s trust. Fund-raising strategies will also change as nonprofits shift their focus from foreign donors to domestic givers. Investigating the determinants of individual giving is therefore particularly salient.

Our findings show key socio-demographic differences between donors and non-donors: those with higher incomes, those with more education, younger people and women are significantly more likely to give to charity. Also, philanthropic behavior in Bulgaria is conditioned by social trust in important ways.
While trust in government institutions does not have an impact on giving, people’s trust in charity organizations is an important positive factor. Time will tell whether the implementation of international practices and the professionalization of the sector will help overcome the low levels of trust in nonprofits. As of now, however, low trust in Bulgaria remains a major obstacle to the development of philanthropy.

Notes

1. International foundations and foreign government agencies that are still actively involved in financing and supporting the nonprofit sector in the country include the Trust for Civil Society in Central and Eastern Europe, the America for Bulgaria Foundation – with a US$400 million endowment, the Balkan Trust for Democracy, the Swiss Agency for Development and Cooperation, the Iceland, Lichtenstein and Norway grants, the Soros Foundation and the Charles Stewart Mott Foundation.

2. On a very limited basis, local authorities also provide funding for nonprofits but the incidence and amounts are negligible (USAID, 2012).

3. According to law, those reports should be published on the Ministry’s website but they are often delayed and incomplete, reducing the overall transparency of the sector (CSD, 2010).

4. The role of state agencies in organizing fund-raising activities has been subject to criticism, as it raises concerns over conflicts of interest and undue pressures to donate (see, e.g., Angelov, 2011; European Commission, 2012).

References


Giving in France: A Philanthropic
Renewal after Decades of Distrust

Arthur Gautier, Anne-Claire Pache and Valérie Mossel

1. The philanthropic landscape

1.1 History

The history of the French philanthropic sector can be traced back to the middle ages, when the Catholic Church created charitable organizations devoted to the care and relief of underprivileged citizens (orphans, poor and sick people). While these charitable organizations progressively secularized as the welfare church weakened, they organically developed until the end of the 18th century.

The 1789 French Revolution radically changed the philanthropic landscape, instituting the state as the sole ruler and custodian of the ‘public interest’ of the French people. The Le Chapelier Act of 1791 dissolved all existing charitable associations and nationalized all foundations under the principle that ‘no one is allowed to incite citizens to have an intermediary interest [between their own and the state’s], to separate them from the Nation by spirit of cooperation.’ The 1793 republican constitution formally assigned the state the responsibility of the welfare of French citizens: ‘Society owes subsistence to the unfortunate citizens, either by getting them work or by insuring means of subsistence to those who cannot work.’

Private philanthropic initiatives reemerged progressively – yet illegally – in the 19th century, as the industrial revolution led to the emergence of new and pressing social needs for the working class (Castel, 1995; Archambault, 1997). It was only in 1901 that a law re instituted the right for French citizens to create ‘associations,’ allowing them to ‘pool their knowledge or their activities with a purpose different than making profits.’ During the 20th century, the associative sector rapidly expanded: between 10,000 and 20,000 new associations were created per year until the 1970s (Tchernonog, 2007). Since 2000, more than 60,000 new associations have been created per year. This growth demonstrates an increasing interest of French citizens for collective nonprofit action. Interestingly, ‘foundations’ – organizations which mobilized private assets in support
of charitable causes – were not instituted back into French law until 1987, with subsequent laws in 1990, 2003 and 2008 gradually compensating for the historical lag of the French foundation sector (Observatoire de la Fondation de France, 2011).

During the 20th century, the nonprofit sector repositioned itself vis-à-vis the state. This relationship progressively evolved from distrust and confrontation to complementarity. After World War I, the French welfare state developed, instituting in 1945 the French social security, which provided all citizens with public financial support for illness, old age, unemployment and family expansion. Supported by social security funds, a number of associations began providing social and medical services for the elderly, disabled and poor. In the late 1960s, changes in mentalities led to a ‘nonprofit boom’ as citizens mobilized to voice and address new societal issues (Laville, 1994). Focusing first on themes like education and culture, nonprofit associations developed in the 1970s to promote feminism, environmentalism, political activism, human rights and international relief. In the late 1970s and 1980s, the emergence of structural unemployment and its associated social exclusion led associations to tackle issues of work integration and poverty. Recognizing the important role these nonprofit organizations played in driving social innovation and effectively addressing key social issues, the French state encouraged the development of the nonprofit sector as both a partner of important social policies and a substitute for public action. In the late 20th century, this partnership was reinforced within the different levels of local government (cities, counties and regions).

Currently in the 21st century, the French nonprofit sector is vibrant, diversified and increasingly professionalized. Its dependence from public support is relatively high; however, since late 2010, cuts in public funds have propelled the sector to seek other philanthropic resources, fees and commercial revenues.

1.2 Size and scope of the nonprofit sector in France

France leads OECD countries in public spending for social expenditures, which accounted for 32.1 percent of its GDP in 2010 – 10 percentage points higher than the OECD average (OECD, 2010). Meanwhile, the French nonprofit sector is relatively large and has grown steadily in the past 50 years. This is characteristic of the ‘corporatist model’ as proposed by Lester Salamon and Helmut Anheier in their influential works on comparing civil society across countries (Salamon & Anheier, 1997; Salamon, Sokolowski, & Anheier, 2000). In this model, associations and foundations may be portrayed as ‘pre-modern mechanisms that are deliberately preserved by the state in its efforts to retain the support of key social elites while pre-empting more radical demands for social welfare protections’ (Salamon et al., 2000, p. 17). In France, the state maintains a central role in providing public goods and services, but it has relinquished
absolute monopoly over the public interest, allowing the nonprofit sector to grow alongside (Archambault, 1997, 2000).

The nonprofit sector in France can be roughly divided into two categories of philanthropic organizations: *associations*, which are the main beneficiaries from philanthropy and non-governmental providers of public goods and services; and *foundations*, which are the major grant-making organizations and supplementary providers of public goods and services. We left out ‘non-philanthropic’ organizations that are often included in the nonprofit sector in France but have commercial activities, such as mutual companies and cooperatives.

### 1.2.1 Associations

Associations are nonprofit organizations formed by a group of individuals to accomplish a purpose in common. They are extremely easy to create and administer and have been used extensively by French people to undertake countless nonprofit activities. In 2012, there were roughly 1.3 million associations in France, with annual expenses of US$90 billion. About 23 million French people (45 percent of adults) are members of at least one association, with sports, culture and leisure representing the bulk of memberships (Tchernonog, 2007; Archambault & Tchernonog, 2012).

Noticeably, only 165,000 out of 1.3 million associations employ staff, with a national estimation of 1.8 million permanent staff (one million full-time equivalents), representing 5 percent of French workforce payroll. Volunteering is very developed in associations, especially in those without paid staff. An estimated 16 million French people (32 percent of adults) are active volunteers in one or more associations, accounting for another million full-time equivalents. Their responsibilities vary from mundane operational tasks to executive functions and legal responsibilities; however, many associations struggle to find qualified volunteers for their boards (Ferrand-Bechmann, 2000).

One of the key challenges to understanding the nonprofit sector and philanthropy in France is the great heterogeneity across organizations set up as associations. Using data regarding employment, volunteering, annual budgets and resources, Tchernonog (2007) proposed to classify French associations into three types: operating associations that provide social services and depend widely on public funding, activist associations that rely heavily on philanthropic giving and associations that serve their members and primarily depend on fees for services for revenue. Moreover, other scholars have noted the recent emergence of new forms of associations undertaking market-like activities (Hély, 2004).

### 1.2.2 Foundations

Foundations are ‘asset-based’ nonprofit organizations through which one or more individuals or legal entities irrevocably allocate property, rights or
resources for activities of public interest. The oldest active foundations were created in the 19th century; however, only since 1987 have foundations had legal status in France. There has been much state control over the creation and operation of foundations, which explains their relatively small number (Rozier, 2007). Today, there are about 2,500 foundations in France, a sharp increase since 2001 (over 104 percent) when about 1,100 were identified. Their assets amount to about US$18 billion, with US$6.5 billion in annual expenses. Foundations employ an estimated 60,000 of staff (Observatoire de la Fondation de France, 2011). In the past ten years, legal advances have considerably loosened the state’s control over foundations, fueling their recent growth in numbers, assets and expenses.

Regulative complexity and subtle distinctions in the French foundations landscape are well beyond the scope of this article. However, it is useful to distinguish two broad types of foundations in France: operating foundations, which fund their own activities mainly through the product of their assets; and grant-making foundations, which fund and support other organizations, often associations. The former is the older of the two models and accounts for 70 percent of French foundations as well as the majority of foundation staff, while the latter accounts for 30 percent of French foundations (Observatoire de la Fondation de France, 2011). The proportion of grant-making foundations has sharply increased in the past 20 years, totaling to only 3 percent of French foundations in 1990 (Archambault, 1997). Furthermore, a new law passed in 2003 has allowed French foundations to ‘spend down’ or use a portion of their assets to fund their activities.

Although associations and foundations are the principal vehicles for French philanthropy, they account for only a fraction of the sector. Many donors neither set up an organization nor declare their gifts. Thus, only a fraction of philanthropy is visible. Moreover, under the definition of philanthropy as all ‘private means to public ends’ (Sulek, 2010), the sector also includes resources given away by all types of organizations, including businesses.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

The Johns Hopkins Comparative Nonprofit Sector Project is arguably the only data source to compare the characteristic of nonprofit organizations across countries. The data shows great variations in many respects, particularly in the area of revenue sources for ‘civil society organizations’ (Salamon, Anheier, List, Toepfer, & Sokolowski, 1999).

According to the latest data available, France’s percentages do not differ much from these global figures. Tchernonog (2007) reports that associations
receive 49 percent of their revenues from fees for services, 34 percent for public subsidies, 12 percent for membership dues and 5 percent from philanthropy. However, contrary to Salamon et al., Tchernonog counts public contracts and public orders in the ‘fees for services’ category, instead of combining them with ‘public subsidies’ to form a comprehensive ‘government’ category. In 1999, French data from the Johns Hopkins Comparative Nonprofit Sector Project found associations to get 58 percent of revenues come from government, 34 percent from fees and 8 percent from philanthropy (Salamon et al., 1999). Thus, public sector payments are dominant in the French nonprofit sector, coming from social security, the central government and local governments. Even so, variations exist between the various fields served by the sector. For instance, health services are massively funded by government (80 percent) while international activities draw heavily from both government (43 percent) and philanthropy (40 percent). Fees are dominant in fields such as culture (65 percent of revenues) and development (61 percent) (Salamon et al., 1999).

As in other Western countries, nonprofit organizations in France face a difficult financial situation. First, government subsidies have either stagnated or changed in nature. The state has transferred many responsibilities to regional and local governments, including subsidies for nonprofit organizations. Meanwhile, governments have increasingly relied on contracts and calls for projects instead of mere subsidies to cover overheads (Archambault & Tchernonog, 2012). Second, the recent economic recession has increased the demand for welfare services to address the needs of the poor. Forced to address more needs with fewer resources, the French nonprofit sector is experiencing a wave of mergers, budget cuts and restructuration (Archambault, 2011).

Furthermore, recent data shows that nonprofit organizations depend less on government subsidies and more on fees from activities. After a long period of obscurity and illegitimacy, philanthropic donations from both individuals and corporations have gained momentum over the past ten years. However, donations still account for only 5–10 percent of revenue sources for French nonprofit organizations. Whether this philanthropy can develop as an alternative resource for nonprofit organizations remains to be seen.

1.3.2 Fiscal incentives

France is among the OECD countries with the highest tax and social security burden on income. After decades of steady growth since World War II, the French welfare state is now characterized by its spending outpacing its revenues, like several fellow OECD countries. The government has limited options to raise revenues without decreasing spending, since tax rates and public debt have already reached very high levels. Cuts in public spending are underway, though less quickly than in other countries facing similar difficulties. As a
result, public subsidies for nonprofit organizations are under strong pressure, compelling nonprofits to increasingly seek alternative ways to finance their activities.

In this context, philanthropy has become a key complementary resource for nonprofit organizations. The French state now encourages philanthropic donations with generous fiscal incentives. In fact, France went from almost zero fiscal incentives for donations in the 1980s to one of the most encouraging exemptions systems for both individual and corporate philanthropy. After two laws in 1987 and 1990, a milestone was reached with the 2003 law on philanthropy, associations and foundations. Among other aspects, it increased the rates and amounts of fiscal exemptions. Since 2003, households can deduct 66 percent of their gifts from their income tax, in the limit of 20 percent of all taxable incomes. Corporations can deduct 60 percent of their gifts from their corporate tax, within 0.5 percent of their earnings before taxes. The law adds an additional fiscal incentive to encourage firms to buy ‘national treasures’ on behalf of the state. No available data currently exists on the rate of use of these fiscal incentives.

With the public debt crisis necessitating cuts in public spending, however, these fiscal incentives have been under heavy scrutiny for the past few years by administrative and government officials. Professional organizations have voiced their concerns and lobbied for the maintenance of tax incentives for philanthropy. While the government has not made changes thus far, it is uncertain how long this will remain true.

1.4 Regulation of the nonprofit sector

While it is very easy to create and manage an association in France, it is strongly recommended to declare any new association to the prefecture (local state administration) in order for it to have legal personality. Undeclared associations cannot use bank accounts, receive subsidies or sue in courts. Foundations are more difficult to create and must also be declared to have legal personality.

Only certain types of nonprofit organizations are eligible to the favorable fiscal incentives outlined above. More precisely, only eligible organizations are able to deliver ‘fiscal receipts’ to donors (either individuals or corporations) who wish to benefit from tax exemptions. To be eligible, the organization must meet three criteria: first, it must act in the ‘public interest’ (as opposed to being a members’ club or seeking profits through lucrative activities); second, it must have part of its activities in France; and third, it must operate in a field that belongs to a list issued in the French Tax Code (such as education, science, social welfare, culture and sports). The French state does not control nonprofits a priori (checking they meet criteria before issuing fiscal receipts to donors) but a posteriori (monitoring receipts after), on a random basis. Organizations that are unsure whether they meet these criteria can ask for a ‘tax ruling’ before
issuing fiscal receipts to their donors. Through its Interior Ministry, the French state collects fiscal receipts completed by donors and keeps track of statistics for household and corporate giving, though only a minority of gifts seems to claim these tax incentives.

1.5 Culture

In French political culture, the state is perceived as the achievement of the collective interest of the French people – a perception rooted in the French Revolution. As such, French citizens still consider the state to be the guarantor of this collective interest as well as the fair provider of welfare protection for all citizens. While taxes are seen as the way citizens provide the state with the means to ensure such provision, philanthropic giving is not viewed as part of the duties of the French citizen.

However, this political culture does not keep French citizens from giving, as 56 percent reported to make gifts to charitable causes. While this proportion remains relatively stable over time, the giving households have increased their gifts in recent years despite the financial crisis (France Générosités & CerPhi, 2012).

1.5.1 Religion

France has been a secular state since a 1905 law established the separation of Church and state, stating that ‘the Republic neither recognizes, nor employs or subsidizes any worship. Accordingly, any expenses relative to the exercise of the worship will be eliminated from national, local, and municipal budgets.’ In France, Catholicism is the dominant religion, yet the rate of religious practice is relatively low and decreasing (Niel, 1998). However, data on religious affiliation is difficult to assess since, based on the principle of freedom of religion, the French state refrains from asking citizens about their religious affiliation in the national census. A recent survey (IFOP, 2011) indicates that 65 percent of the French population claims to be Catholic, 25 percent without religious affiliation, 6 percent Muslim, 2 percent Protestant, 1 percent Jewish and 1 percent other. While other surveys may produce slightly different data, all recognize a decrease in religious practice since the end of World War II as well as a diversification of religious affiliation (mainly Islam and Evangelism) through immigration. Only 16 percent of the French citizens reported ‘a regular religious practice’ (Régnier-Loilier & Prioux, 2008). The French nonprofit sector is remarkably more secular and less permeated by religion than in other Western countries, notably the United States (Archambault, 2011).

Despite this decrease, Catholicism still influences French culture, shaping not only its cities and landscapes with religious edifices but also its culture with important values and traditions. Among such is philanthropy. In the Catholic dogma, wealth has always been met with suspicion. The Bible contains verses
attacking the rich who accumulate wealth instead of giving it away to those most in need: ‘Again I tell you, it is easier for a camel to go through the eye of a needle than for a rich person to enter the kingdom of God’ (Matthew 19:24). This ‘anti-rich’ mentality is still prevalent in France. Unlike Protestantism, good works like charitable donations are encouraged as a means to redistribute wealth in society and to attain salvation as an individual. Importantly, giving privately is recommended for Catholics since gifts should be motivated by spirituality rather than reputation (Destrée, 2012). While giving is a part of the French culture – particularly for Catholics, and more broadly, citizens with religious beliefs – it thus remains a relatively confidential practice in France.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Various French nonprofit organizations rely on individual and corporate giving. France Generosities (France Generosités) is a union of associations and foundations that raises all types of philanthropic funds. Its mission is to promote generosity by encouraging the development of policies that support the development of philanthropy. It encourages fair, efficient and transparent fund-raising practices as well as provides legal and practical advice to its members in order to enhance their ability to raise funds effectively. In addition, the French Association of Fundraisers (Association Française des Fundraisers [AFF]) is a major network of fund-raising and philanthropy professionals. Its mission is to train and inform professional fund-raisers as well as to provide them with stimulating networking activities. It promotes effective as well as ethical practices in fund-raising. Additionally, the Charter’s Committee (Le Comité de la Charte) is a voluntary initiative that leads organizations raising philanthropic funds from the general public to develop a fund-raising code of conduct, as guaranteed by a seal. The organization audits its members to assess whether they respect the code and broadly promotes ethical standards in the fund-raising industry.

The major French fund-raising organizations rely on a wide variety of solicitation techniques, including direct mailing, street-marketing, fund-raising events, the Internet and major donor campaigns. Charitable bequests represent a sizeable source of revenue for a few large and visible organizations. In 2010, 75 percent of gifts were made by check, while 25 percent were made through direct debit from bank accounts, thus reflecting the prevalence of recurrent giving among French donors. In the same year, Internet campaigns generated 3 percent of total giving (France Générosités & CerPhi, 2012). A few major events draw a lot of philanthropic attention. The most visible one, the Telethon, organized by the French Association against Myopathy (Association Française de Lutte contre les Myopathies [AFM]), is a 30-hour TV show that has collected up to US$130 million for AFM annually.
1.5.2.2 Major donors

Given the cultural context described above, major donors are relatively rare in France, and those that exist typically remain anonymous. However, due to a favorable fiscal regime for gifts since 2003, a growing awareness of the limitations of public funding, and powerful calls for action such as the Giving Pledge, which have all drawn public attention to the issue of philanthropy, a few major French philanthropists have begun to communicate their initiatives to the public. The media, which has long been skeptical about philanthropy, has recently depicted these philanthropists in more favorable ways (Seghers, 2009).

A 2011 survey indicates that households earning more than US$58,000 per year represent 27 percent of giving households and contribute 48 percent of all gifts, with an average sum of US$808. When turning to even more affluent households — those earning more than US$260,000 per year — 51 percent of them report giving with average gifts of US$4,030, compared to the average gift of US$460 for all French households (France Générosités & CerPhi, 2012). More specific data about major gifts remains, as of now, unavailable.

1.5.2.3 The role of financial advisory professionals

The professional infrastructure of philanthropy has long remained underdeveloped in France, with a few major exceptions including the France Foundation (Fondation de France) and the French Center for Trusts and Foundations (Centre Français des Fonds et Fondations), which have enjoyed a monopoly on philanthropy advisory in France until recently. For the past few years, major private banks, including BNP Paribas Wealth Management and UBS, as well as professional service firms, such as KPMG and Ernst and Young, have developed expertise in philanthropy in order to advise their clients on how to best manage their philanthropic initiatives. In 2012, the French Association of Family Offices (Association Française des Family Offices) published a practical guide about philanthropy for family offices. Moreover, a small network of independent consultants has recently blossomed, offering philanthropic advisory to wealthy individuals.

2. Explaining philanthropy in France

2.1 Data and methods

The Giving France Study was conducted by the Center for Philanthropic Studies at the VU University in Amsterdam. The French data was collected by market research firm TNS Sofres. Between January 30 and February 19, 2009, 4,612 French households regularly participating in survey research were invited to participate in an online survey using CASI (Computer-Assisted Self-Interviewing). After 1,195 respondents filled out the questionnaire, the survey was closed from further participation. The data was weighted for the
characteristics age, gender, social class, region and household size to make it representative of the French population. The Giving France survey was modelled after the Giving in the Netherlands Panel Study (GINPS08, 2008), using the International Classification of Nonprofit Organizations (ICPNO) (Salamon, Sokolowski, & List, 2003) to adjust this Dutch-based survey for an international classification of nonprofit organizations.

The dependent variable in the analyses is the natural log of the total amount of money that a household donated to charitable organizations in 2009. The Giving France Study measures donations made to ten charitable subsectors: civic rights and advocacy, culture, arts and humanities, education and research, health, international assistance, environment and animals, religion, social services, sports and recreation and other charitable causes. First, respondents were asked which method they used to make a donation, for example, through a personal letter, the Internet or a door-to-door collection. Second, respondents were asked whether or not their household made a donation to each of the subsectors. Third, the respondents were asked to state the exact amount of money given to each subsector in 2009.

2.2 Descriptive results

In 2010, French households declared donating €1.95 billion (approximately US$2.5 billion) which is about 0.09 percent of the GDP (France Générosités & CerPhi, 2012). A 2006 comparative study estimated giving in France to be 0.14 percent of the GDP, including bequests (CAF, 2006). In the Giving France Study (2009), 66 percent of the French households indicated to have made at least one donation to nonprofit organizations in 2009. The average household donated US$251. Table 9.1 displays the percentage of donors and the mean amount donated in 2010 by French households for a variety of causes, thereby providing interesting patterns to study.

As expected, religious giving is much less widespread than secular giving in France. Only 14 percent of French households donated to religious causes with an average yearly amount of US$163, while almost two-thirds of households donated to secular causes (64 percent). The French households donated most frequently to organizations active in the health sector (37 percent), like those supporting medical research (such as AFM Téléthon and Ligue contre le Cancer), providing basic healthcare services (such as Croix Rouge), or managing hospitals and specialized institutions. The average amount donated by households to organizations in the health sector is rather low (US$95) compared to other causes. Since French healthcare sector relies on public funds to support its infrastructures (such as hospitals and medical equipment) and salaries of medical staff, philanthropy in health mostly targeted scientific research and relief, with households making gifts of all sizes but mostly small gifts.

The second most frequent recipients of gifts are public and social benefit organizations, which are supported by 25 percent of French households. The
Table 9.1  Percentage of donors and average amount donated among donors to different charitable sectors in France 2009 (N=1,195; Giving France 2009)

<table>
<thead>
<tr>
<th>Donors (%)</th>
<th>Conditional donation (US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>37</td>
</tr>
<tr>
<td>International relief</td>
<td>19</td>
</tr>
<tr>
<td>Nature, environment and animals</td>
<td>12</td>
</tr>
<tr>
<td>Public and social benefits</td>
<td>25</td>
</tr>
<tr>
<td>Sports and recreation</td>
<td>7</td>
</tr>
<tr>
<td>Culture and arts</td>
<td>6</td>
</tr>
<tr>
<td>Education and research</td>
<td>15</td>
</tr>
<tr>
<td>Civic rights and advocacy</td>
<td>8</td>
</tr>
<tr>
<td>Other causes</td>
<td>11</td>
</tr>
<tr>
<td>Total secular causes</td>
<td>64</td>
</tr>
<tr>
<td>Total religious causes</td>
<td>14</td>
</tr>
<tr>
<td>Total all causes</td>
<td>66</td>
</tr>
</tbody>
</table>

two leading organizations are Secours Catholique-Caritas France (religious) and Les Restos du Coeur (secular), which are both active in providing assistance and services to the needy. International relief was the third most frequently supported cause, accounting for 19 percent of donations. The most renowned of these organizations, Médecins Sans Frontières, provides emergency medical care in countries hit by natural catastrophes, armed conflicts or pandemics. Other international relief organizations focus on human rights and more long-term development activities. Furthermore, 15 percent of the French households indicated to have made a donation to education and research. Examples include primary and secondary nonprofit schools under contract with the Education Ministry, as well as alumni giving to their alma mater, although the latter phenomenon is only nascent in France. Finally, 12 percent of the households donated to organizations active in the field of environment, wildlife and animal protection, including the activist NGO, Greenpeace France.

Interestingly, while the organizations focusing on civic rights and advocacy, sports and recreation as well as culture and arts attracted fewer gifts from French households, they received relatively larger gifts: on average, households donated US$148 to civic rights and advocacy organizations, US$130 to sports and recreation and US$154 to arts and culture organizations. On average, French households donated US$224 to all secular causes in 2009.

2.3 Explaining philanthropic giving in France

In this section, we analyze the relationship between characteristics known to influence philanthropic behavior and the likelihood and amount people give to all charitable organizations, religious and secular.
2.3.1 Incidence of giving

Table 9.2 displays the results of logistic regression analyses of whether or not people give to any charitable cause (total giving), to religious causes and to secular causes. Overall, our data suggests that 66 percent of the French population made a donation to any charitable organization over the course of 2009. Age seems to influence whether or not people give. In our sample, people between 35 and 65 had a 33 percent higher probability to donate to a nonprofit organization than people younger than 35. People aged over 65 had a 118 percent higher probability to donate in comparison to people under 35. Additionally, those who completed secondary education had a 48 percent higher probability to donate to a charitable cause than someone with exclusively primary education. However, completing tertiary education did not have a significant influence over donation behavior. Also, gender and marriage did not seem to influence the likelihood to give.

Our data further shed light on the relationship between wealth and giving. In our sample, households earning 10,000 US dollars or more in income than the average had a 7 percent higher probability to donate to a nonprofit organization. Meanwhile, those who owned a house had a 35 percent higher probability of making a donation.

Our data further suggests that religious affiliation is the leading determinant of giving. In our sample, Roman Catholics were 76 percent more likely than non-religious people to give. In contrast, being Protestant or affiliated with another religion (such as other Christian denomination, Jewish, Islamic or Eastern religion) did not have an influence on an individual’s likelihood to make a donation, as compared to non-religious people. Neither did attendance of religious services. An even stronger determinant of giving than religion is generalized trust, namely trust toward strangers in society, beyond face-to-face interactions with already known partners. People who tend to trust others had a 196 percent higher probability to give compared to those who reported with no generalized trust.

Interestingly, these results overall hold for gifts made specifically to secular organizations (with the exception of secondary education, which did not seem to influence the likelihood to donate). However, total giving patterns sharply differ from religious giving patterns, suggesting that the drivers to give to religious organizations may be very specific. For instance, our analysis suggests that age, education, gender or marital status did not have an influence on the likelihood to give to religious organizations. Gifts to religious organizations were more likely made by wealthier households who earn US$10,000 more than average (over 5 percent) as well as by homeowners (over 73 percent). Unsurprisingly, religious affiliation is the strongest driver for gifts to religious organizations. In our sample, Roman Catholics were more likely (by 389 percent) to make gifts to religious organizations. These results also hold for
Table 9.2 Logistic regression analysis of total, religious and secular giving in France in 2009 (N = 1,195; Giving France, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
</tr>
<tr>
<td>Constant</td>
<td>−0.76**</td>
<td>0.47</td>
<td></td>
<td>−3.98**</td>
<td>0.36</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Aged between 35–65</td>
<td>0.28^{+}</td>
<td>0.16</td>
<td>1.33</td>
<td>0.05</td>
<td>0.27</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.78**</td>
<td>0.24</td>
<td>2.18</td>
<td>0.39</td>
<td>0.33</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.40**</td>
<td>0.15</td>
<td>1.48</td>
<td>0.15</td>
<td>0.27</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.22</td>
<td>0.19</td>
<td>1.25</td>
<td>−0.04</td>
<td>0.19</td>
</tr>
<tr>
<td>Male</td>
<td>−0.03</td>
<td>0.04</td>
<td>0.97</td>
<td>0.32</td>
<td>0.21</td>
</tr>
<tr>
<td>Married</td>
<td>0.21</td>
<td>0.15</td>
<td>1.23</td>
<td>0.24</td>
<td>0.00</td>
</tr>
<tr>
<td>After tax household income$^1$</td>
<td>0.06*</td>
<td>0.03</td>
<td>1.07</td>
<td>0.04^{+}</td>
<td>0.25</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.30*</td>
<td>0.14</td>
<td>1.35</td>
<td>0.55^{+}</td>
<td>0.22</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.57**</td>
<td>0.15</td>
<td>1.76</td>
<td>1.59**</td>
<td>0.22</td>
</tr>
<tr>
<td>Protestant</td>
<td>1.25</td>
<td>0.76</td>
<td>3.48</td>
<td>1.89**</td>
<td>0.57</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.23</td>
<td>0.25</td>
<td>1.26</td>
<td>1.88**</td>
<td>0.32</td>
</tr>
<tr>
<td>Religious attendance$^3$</td>
<td>0.05</td>
<td>0.04</td>
<td>1.05</td>
<td>0.18*</td>
<td>0.03</td>
</tr>
<tr>
<td>Generalized trust$^3$</td>
<td>1.08**</td>
<td>0.21</td>
<td>2.96</td>
<td>0.45</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Notes: $^1$ After tax household income in US$/10,000; $^2$ Religious service attendance in times a month; $^3$ Scale 0–1; $^4$ Secular giving comprises of giving to organizations in the fields of health, international relief, nature, environment and animals, public and social benefits, sports and recreation, culture and arts, education and research and ‘other’ causes; ** $p \leq 0.01$; * $p \leq 0.05$; (+) $p \leq 0.10$. 
Protestants (over 559 percent), other religious affiliations (over 557 percent), as well as those attending religious services (over 19 percent).

2.3.2 Amount donated

We further analyzed our data for the relationship between various factors and the amounts given. Table 9.3 displays the results from a Tobit regression analysis of the natural log of the total amount people gave to any charitable cause, to religious charitable causes and to secular charitable causes in 2009.

Our results suggest that age influences the level of total philanthropic donations as older people seem to give more. In our sample, individuals between 35 and 65 were shown to donate 56 percent more money compared to those under 35. Individuals over 65 were further shown to donate 135 percent more money than those under 35. Interpretations of these findings may concur that older people have both more time and more accumulated wealth than younger people and are thus more likely to give than younger people, who have to provide for themselves and their families in a contracting economy.

Furthermore, the amount of gifts increases with the degree of education. Individuals who completed secondary and tertiary education were predicted to give more, compared to those who only completed primary education or less. In contrast, gender and marital status did not affect the level of philanthropic donations.

Unsurprisingly, our results further suggest that income is positively related to the amount donated to philanthropic organizations. People with high revenues (earning US$10,000 more than average) were shown to make larger gifts by 7 percent. Homeowners were also likely to give 41 percent more money to charitable causes than people who do not own their home.

Likewise, religious affiliation and attendance influence the level of philanthropic giving. Roman Catholics were predicted to donate 65 percent more than those without religious affiliation. Following the same pattern, Protestants and other religions donated 114 percent and 54 percent more, respectively, in comparison to those without a religious affiliation. Moreover, stronger religious attendance relates to higher philanthropic giving. Attending religious services once a month or more related to 7 percent higher predicted giving. Finally, people who scored high on generalized trust gave 137 percent more money to nonprofit organizations than people who tend to distrust others.

Except for some minor changes, the results for amount donated to secular organizations strongly resemble the results for total giving. However, religious giving presents different patterns than total giving. A few influential variables in the case of total giving do not have any significant impact on the amounts donated to religious organizations, including gender, marital status, education and trust. While age seems to be an influential factor, it was only the case for individuals above 65, who were predicted to donate
Table 9.3 Tobit regression analyses of the natural log of the total amount donated in France in 2009 (N = 1,195; Giving France, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Log amount of total giving</th>
<th>Log amount to religious giving</th>
<th>Log amount to secular giving&lt;sup&gt;4&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marginal effect</td>
<td>S.E.</td>
<td>Marginal effect</td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35–65</td>
<td>0.56**</td>
<td>0.20</td>
<td>0.06</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>1.357**</td>
<td>0.27</td>
<td>0.22&lt;sup&gt;(*)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.60**</td>
<td>0.18</td>
<td>0.04</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.62**</td>
<td>0.22</td>
<td>−0.00</td>
</tr>
<tr>
<td>Male</td>
<td>0.04</td>
<td>0.16</td>
<td>0.12</td>
</tr>
<tr>
<td>Married</td>
<td>0.27</td>
<td>0.17</td>
<td>0.12</td>
</tr>
<tr>
<td>After tax household income&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.07**</td>
<td>0.03</td>
<td>0.02&lt;sup&gt;(*)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.41*</td>
<td>0.17</td>
<td>0.21*</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.64**</td>
<td>0.17</td>
<td>0.67**</td>
</tr>
<tr>
<td>Protestant</td>
<td>1.14&lt;sup&gt;(**)&lt;/sup&gt;</td>
<td>0.61</td>
<td>0.89**</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.54&lt;sup&gt;(**)&lt;/sup&gt;</td>
<td>0.30</td>
<td>0.86**</td>
</tr>
<tr>
<td>Religious attendance&lt;sup&gt;2&lt;/sup&gt;</td>
<td>0.07*</td>
<td>0.03</td>
<td>0.06**</td>
</tr>
<tr>
<td>Generalized trust&lt;sup&gt;3&lt;/sup&gt;</td>
<td>1.37**</td>
<td>0.30</td>
<td>0.16</td>
</tr>
</tbody>
</table>

Notes: <sup>1</sup> After tax household income in US$/10,000; <sup>2</sup> Religious service attendance in times a month; <sup>3</sup> Scale 0–1; <sup>4</sup> Secular giving comprises of giving to organizations in the fields of health, international relief, nature, environment and animals, public and social benefits, sports and recreation, culture and arts, education and research and ‘other’ causes; **p ≤ 0.01; *p ≤ 0.05; (+) p ≤ 0.10.
22 percent more to religious organizations than individuals under 35. Income and homeownership seem to influence the amount of gifts made to religious organizations, yet to a lesser extent than total giving. As expected, religious affiliation positively influences the amounts of religious giving. Compared to those without religiously affiliation, Roman Catholics were predicted to give 67 percent more, Protestants were predicted to give 89 percent more, and people affiliated to another religion were predicted to give 86 percent more. People who attend religious services donated 6 percent more to religious nonprofit organizations.

3. Conclusion

After centuries of state restrictions on philanthropy and a general distrust for all private initiatives for the public interest, France has witnessed the rapid emergence of an increasingly favorable context for giving in recent decades. Fiscal incentives, new legal tools and the professionalization of nonprofit actors have altogether spurred philanthropy to new heights. While many donors remain anonymous, a growing number of philanthropists have started to give more publicly. Pragmatic considerations, such as contractions of government support and growing social needs, have also contributed to this philanthropic renewal, although average and total donations remain relatively small compared to other Western countries.

However, with the public debt crisis and a stagnant economy, French authorities have recently considered reducing fiscal incentives while adding to the already heavy tax burden. Thus, nonprofit leaders have growing concerns that a ‘philanthropic crash’ may occur if the government follows this path. Another concern is the demographics of giving in France. Typical French donors are old, educated and religious people, who have above-average revenues, own their homes and have high level of trust toward others in society. Therefore, it remains to be seen whether younger generations – who clearly depart from the average donor’s profile in all but education – will be willing to further the growth of French philanthropy in the years to come.

Notes

1. Broadly defined as private, nonprofit distributing, self-governing and voluntary organizations. This includes but is not limited to associations and foundations.
2. Mistakenly, the 4,511 respondents initially invited to participate in the survey were selected based on a previously answered question about doing ‘most of the shopping in the household.’ Only respondents who indicated to do most of the shopping in their household were invited to participate in the survey. After 1,000 respondents filled out the survey, it closed for further participation. To correct for the selection error, a second group of 1,110 respondents (who had previously indicated to ‘not to
do most of the shopping in the household’) were invited to participate on February 18 and 19. This resulted in another 195 responses, after which the survey was again closed for further participation.

References


1. The philanthropic landscape

1.1 History

During the 16th century, Finland – then a part of Sweden – broke away from the Catholic Church in the Protestant Reformation. The king of Sweden took over as head of the Church, and Lutheran parishes became the only local administrative bodies in rural areas. This reformation was enabled by the country’s religious homogeneity (Markkola, 2007). As a result, these parishes began organizing poor relief in Finland. However, only in the late 19th century did the first official philanthropic associations emerge in Finland: women’s organizations. These organizations were formed of privileged women helping the underprivileged in Finnish cities (Harju, 2007). During this time period, the role of Finnish women even beyond philanthropy was exceptionally strong; in fact, Finland ultimately became the first country in Europe to give women the right to vote and the first in the world to have female members of the parliament – both occurring in 1906.

The first social and health organizations were founded at the end of the 19th century. At this time, cities were growing in population due to industrialization; simultaneously, poverty, unemployment and illness became common. Organizations that focused on helping those in need were founded, such as the Finnish Red Cross in 1877 and the Finnish Association for Mental Health in 1897 (Harju, 2007). Furthermore, the responsibility of poor relief shifted from the Church to municipalities. New Christian philanthropic organizations such as Deaconess Institutes, City Missions and the Salvation Army were founded to carry out Christian poor relief and other philanthropy. Funds for sickness and unemployment were founded alongside the formation of self-help circles or friendly societies. This time period also experienced active support
for the arts. Fund-raisers were organized to benefit writers, artists and theater (Jaakkola, 1996).

During the late 19th and early 20th century, many philanthropic projects were politically motivated, often to foster 'Finnishness.' After being a part of first Sweden and then Russia, Finland became independent in 1917, only to break out in civil war in 1918. Nevertheless, Finnish philanthropy remained active after gaining independence. The short war resulted in thousands of orphans; as a result, voluntary organizations received subsidies from the state to establish child-care institutions. Moreover, several fund-raisers, events and lotteries were organized, and big donations were made by individual donors. After World War II, Finland faced challenges similar to those during post–civil war reconstruction. During the following years, the role of the state and municipalities in financing social projects and culture increased. Income differences narrowed, and large donations became more rare. New social and health associations were founded, focusing strongly on lobbying and advocacy. These associations pressured decision makers to improve the situation of various underprivileged groups. For example, the Cancer Society of Finland, the Central Union for Child Welfare and the Federation of Hard of Hearing were all founded after World War II (Harju, 2007).

The role of the state and municipalities in taking care of social needs and financing arts and science grew throughout the 20th century, moving Finland toward a strong welfare state even though industrialization took place late in the country. It was only in the 1960s that economic prosperity grew and Finland joined the other Nordic welfare countries (Julkunen, 2003). Living standards improved, and individuals increasingly directed their activity toward labor unions and political parties during the 1960s and 1970s, and then recreation, sports, culture and nature conservation in the 1980s. During this period, nonprofits received increasing subsidies from the state, could hire more employees and also became more bureaucratic (Harju, 2007).

In the 1990s, a severe economic recession hit Finland forcefully, thus altering its development as a welfare state. Public social services were cut back at the same time as the need for them dramatically grew due to high unemployment and many other problems. Consequently, the Church and social and health organizations took a strong role in helping those in need. Their work was widely recognized as a means to filling the gaps in services created by the budget cuts in the public sector (Helander & Laaksonen, 1999). Even after the post-recession economy improved, the role of the Church and nonprofit organizations remained relatively strong (Grönlund & Hiilamo, 2006). Since the recession, welfare and healthcare services have been extensively restructured. This development has also influenced an increase in municipalities’ co-operation with private businesses and nonprofits. Most municipalities buy services from private companies in health and social services (Sociobarometer
Studies, 2006; Vaarama, Moisio, & Karvonen, 2010). Comparative studies show that diaconal work of Finland’s Evangelical Lutheran Church, in contrast to its complementary role in the other Nordic countries, indeed serves the necessary role of filling gaps and deficiencies in public social security. Compared to the relatively short-lived golden age of the welfare state, the new gap-filling mission of the Church reflects a radical change in the course of social policy, which also influences the role of philanthropy in Finland (Pessi, Angell, & Pettersson, 2009).

Since 2012, the concept of a welfare state has been changed to welfare society in political rhetoric, and the roles of individuals and nonprofit organizations have been seen as increasingly important. In 2011, Finland was rated 21st in the global ranking of the World Giving Index 2011 by the Charities Aid Foundation (CAF, 2011). The Index includes three giving behaviors: helping a stranger, volunteering and donating. The score of Finland has risen noticeably, rating 45th in 2010 rankings. Finns have increased their giving in all three giving behaviors. This result describes well the current changes in the Finnish culture of giving. Despite the strong support for a tax-funded welfare state (Vaarama, Moisio, & Karvonen, 2010), individual responsibility for the well-being of others has been increasingly discussed and accepted – not as just an option for a strong public sector, but as a way to complement provided services. The welfare state ideology of the previous decades was very public sector dominant, resulting to some extent in the passivity of individuals and a view of philanthropy as being un-equal. These attitudes are slowly changing, and individuals are increasingly encouraged to take on more responsibility. Finns still expect the public sector to take on the largest responsibility for providing services where help is needed. Nevertheless, in some cases, help provided by the Church, immediate social networks and nonprofits is also considered desirable. Thus, Finns have high expectations for public services, but they also accept and call for the input of other complementing welfare providers. Roughly half of Finns look to nonprofits for help in the following life situations: destitute people, people with chronic medical problems and physical disabilities, distressed families with children, the homeless and substance abusers (Pessi & Grönlund, 2012). However, there is a risk that this trend will result in viewing individual responsibility and philanthropy as alternatives to the public sector. Since Finns still widely support a strong welfare state, individuals may lessen their giving of time and money if they feel these activities are facilitating cutbacks from public services. One indication of the actuality of this trend is a current debate on a new children’s hospital in Finland. An independent foundation has been established to collect funds for the construction work in order to make the project possible. While the tax-funded public sector intends to cover the majority of the costs, individual donations is targeted to be 20 percent of the budget. This project has caused much debate, confusion and severe opposition (as evident in
Yle News article, ‘Cannot the state finance a children’s hospital?’ (Yle Uutiset or Yle News, 2013)), as the idea of philanthropy participating in such an essential welfare service is so unfamiliar in the context and ethos of the Finnish welfare state.

1.2 Size and scope of the nonprofit sector in Finland

In 2012, there were approximately 130,000 registered associations in Finland with 15 million memberships. Considering that only 5.4 million people live in Finland, membership proves to be very high. Approximately 70,000 of the associations are active, and most associations are local (Register of Associations, 2013). According to the Johns Hopkins Global Civil Society project study, employment is relatively evenly distributed among the three fields of education, health and social services (Salamon & Anheier, 1999). Finland has a relatively strong public sector that provides most social services. State and municipalities are responsible for a majority of health, education and social services. Finland's level of public social expenditures is near the EU average, totaling to 24.7 percent of GDP in 2007 (OECD, 2013).

Under Salamon and Anheier’s (1998) nonprofit sector classification, the relationship between the public sector and the nonprofit sector comes closest to the social-democratic model. In this model, the nonprofit sector should be strongest in recreational and expressive activities such as sports, culture, religion, advocacy and hobbies rather than welfare. A more service-oriented nonprofit sector should be more typical in liberal and corporatist states (Salamon & Sokolowski, 2003). Indeed, the main role of nonprofit organizations in Finland is complementary to the public sector and a large proportion of associations focus on sports, culture or advocacy. Nevertheless, a service-oriented role is becoming increasingly common among health and social associations. Municipalities buy services not only from private businesses but also increasingly from associations, instead of producing the services themselves (Kansanvalta [The Democracy Data Bank], 2012). There are thousands of social and health associations in Finland. Most of them are local branches of national organizations.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

A significant proportion of organizations are partially publicly funded. Finland finances organizations through funds collected in gaming. Finland’s Lotteries Act grants three actors the responsibility to organize gaming in Finland, and their profits are used for promoting health and social welfare, arts, science, youth work and sports through various organizations. The operations of these three actors are supervised by the state, who provides public funding to these actors. Approximately 50 percent of the revenue of national health and social
welfare organizations are derived from Finland’s Slot Machine Association. They distribute approximately 300 million Euros annually, and nearly 900 organizations receive funding each year (RAY, 2012). The Finnish Lottery has over 3,000 beneficiaries in the arts, science, sports and youth work (Veikkaus, 2010).

Additionally, various Ministries finance associations in different fields, and municipalities finance local activities of associations. Thus, government subsidies are complex in Finland, and no comprehensive research has been extensively conducted. The funding of associations is unevenly distributed, depending on the size, location, history and activity of the association (Vaisto, 2009). According to the Global Civil Society Project by Salamon and Anheier (1998), the nonprofit sector in Finland has been relatively fee dominant. In 1995, fees covered 58 percent of revenue, whereas income from the public sector covered 36 percent and philanthropy 6 percent. Finland and Spain were the only Western European countries where the majority of revenue was not public sector grants and contracts (Salamon & Anheier, 1999).

1.3.2 Fiscal incentives

Income in Finland is taxed by a progressive state tax (6.5–31.75 percent). In addition, Finns pay municipal and church taxes (on average 1.34 percent, collected from members of the two official churches, Evangelical Lutheran Church of Finland and Finnish Orthodox Church) and the health insurance contribution (16–24 percent, depending on one’s municipality). The corporate income tax rate is 24.5 percent. There are no fiscal incentives for most individual donations in Finland. During a temporary amendment to the Income Tax Act, individuals and estates could deduct monetary donations between €850 and €250,000 from their net income; such donations had to be to a university or publicly funded institution of higher education within the European Economic Area, for the promotion of science or art. This deduction was active only from 2009 to 2012 for individuals. However, communities are still allowed to deduct the same contributions (with respects to size, recipient institutions, and purpose of promoting science, art or Finnish cultural heritage) from their net incomes. Furthermore, communities are also allowed to deduct from their net income donations between €850 and €50,000 given to an association, foundation or fund (listed by the Tax administration in Finland) intended for the same purposes (Finlex, 2013b). The government does not intend to increase fiscal incentives in the near future (Kirjallinen kysymys 476/2011, 2011). Associations with aims for common good do not pay taxes for most of their activity.

1.4 Regulation of the nonprofit sector

Nonprofit organizations in Finland are registered in the Register of Associations. In this context, a nonprofit is defined as an ‘organization that is meant
to be permanent, founded by several persons or several organizations having legal capacity, for the realization of a common nonprofit purpose.’ Registration is not mandatory, and associations can also function un-registered; nevertheless, registration has many benefits related to responsibility and rights for the association and individuals involved (Register of Associations, 2013). These associations differ from economic associations in that they do not aim to gain profit or economic benefit. Their activities cannot be primarily economic, they must be focused on nonprofit work. Associations are regulated by the Finnish Associations Act, which gives relatively strict orders on several issues, such as the rules and administration of an association (Finnish patent and registration office, 2013). Religious organizations have their own legislation, the Freedom of Religion Act; however, under the reference provisions of the Freedom of Religion Act, the Associations Act is applied quite extensively on these religious bodies (Finlex, 2013a).

Money collection may only be carried out by registered Finnish associations or foundations with a money collection permit that is issued by a local police department or the National Police Board. The exclusive purpose of these permits must be for the common good. Permits can also be issued to associations that are not registered in Finland under certain conditions (Finnish Police, 2012).

1.5 Culture

1.5.1 Religion

Finland is relatively religiously homogenous. Nearly 80 percent of Finns are members of the Evangelical Lutheran Church of Finland, although the membership rate is in decline. Only 6 percent of Finns attend religious services at least once per month (Kääriäinen, Ketola, Niemelä, Palmu, & Salomäki, 2009). The Church officially changed from a state church to a national church in the 19th and 20th centuries, but it still has the right to collect membership fees (approximately 1 percent of income for Church members), as well as a community tax, in connection with municipal taxation. The Church does extensive work among children and youth. It also has a noticeable role in social work. In all local parishes (466 counted in 2009), at least one employee is engaged in social work. Thus, all parishes provide various kinds of aid to families, to individuals who are marginalized or at risk of marginalization, to people recovering from mental health problems, and to old people. The Church has also developed more differentiated services provided both centrally and locally, such as aid for chemical abusers, care for people with disabilities, family counseling, and emergency mental health services (Pessi & Grönlund, 2012). It also organizes an annual national fund-raising campaign known as Common Responsibility to benefit those in need in Finland and abroad.
Cultural values of Finland are intertwined with its religious history. Egalitarianism, one of the most central cultural values in Finland (Schwartz, 1999), entails voluntary commitment to promoting the welfare of others, to uphold the values of equality, social justice, freedom, responsibility and honesty. These values, on the one hand, foster a culture of philanthropy and giving and, on the other hand, have been the foundation for a strong welfare state.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

As mentioned in Section 1.3.1. ‘Government support,’ Finland finances organizations through funds collected in gaming. Three actors have the responsibility to organize gaming in Finland, and their profits are used for promoting health and social welfare, arts, science, youth work and sports through various organizations. The operations of these three actors are supervised by the state, who provides public funding to these actors. Funds collected in gaming are central to many nonprofits.

Traditionally, membership fees were the most common way that Finnish nonprofits received funding from individuals and member organizations. Nevertheless, since 1995, the role of fees in Finnish associations has diminished, being replaced by donations to some extent. In 2011, a study conducted on 120 Finnish nonprofit organizations stated that the share of private donations in all funds had increased for 31 percent of them. In addition, 59 percent believed that this share would grow during the next two years (The Finnish Fundraising Association, 2011).

The largest nonprofits use face-to-face marketing to attract new members and monthly donators and organize campaigns with volunteers collecting money on the streets. Face-to-face marketing has been a significant new way of fund-raising during the last decade for some nonprofits. Also, individual donations, testaments, sending letters and campaigns are ways to collect funds. Street collection fund-raising campaigns are arranged by some of the largest organizations. Some nonprofits, especially those in the sports sector, have private businesses as sponsors, and some also sell their services (Vaisto, 2009). Several use ethical gifts as a means of fund-raising. For example, one can buy a tree to be planted to slow down climate change and create a profession for a woman in a developing country (e.g., Finn Church Aid, 2012). These gifts are most commonly bought online and are a relatively successful means to collect funds.

Furthermore, new virtual services (e.g., Bank4hope, 2014; Sharewood, 2012) have been established to connect individuals to nonprofit organizations. There have been some attempts to outsource face-to-face marketing, but currently most organizations carry out this activity by recruiting people to do it as their employees. In a recent survey of 120 nonprofits, the most important means for
collecting funds were one-time individual donations (45 percent), supporting fees (35 percent), selling support products (23 percent), and monthly donations (22 percent). A third of them had fund-raising professionals in their organization (Present State of NPOs, 2011).

1.5.2.2 Major donors

Although very limited attention has been paid to the role of major donors in Finland, rich individuals have donated to different causes throughout the country’s history. Already, during the Middle Ages, donating to churches was common among the wealthy. The identity of the donator was usually visibly acknowledged with the coat of arms or painted figure of the donator (Tuhkanen, 2005). During the 18th and 19th centuries, donating to the poor was common, but since the development of public welfare services throughout the 19th and 20th centuries most major donors have given especially to research, arts and culture.

Several wealthy individuals have donated through establishing foundations or funds, often named after them. Examples of these are Alfred Kordelin Foundation established after the death of the industrialist and businessman in 1918 (Alfred Kordelin Foundation, 2014) to promote science, literature, art and public education, Emil Aaltonen Foundation established by the industrialist and philanthropist himself in 1937 (Emil Aaltonen Foundation, 2014) to support academic research, and Jenny and Antti Wihuri Foundation established by the sea captain, shipowner and industrialist and his wife in 1942 (Jenny & Antti Wihuri Foundation, 2014) to promote and support cultural and economic development in Finland. Although many of the notable foundations were established during the first decades of the 20th century, new foundations continue to be established. For example, in 2002, publisher and Minister Aatos Erkko established the Jane and Aatos Erkko Foundation with his wife. Mrs. Erkko served as the vice-chairman of the board of the foundation since it was established until she died in 2014. The foundation funds science, art and culture with more than €10 million annually (Jane & Aatos Erkko Foundation, 2014).

In 2002, more than 80 percent of foundations and funds at that time in Finland were private. Half of all foundations included in the study (n = 779 out of 2,560 foundations in Finland in 2002) were established by an individual person or persons. The combined wealth of all foundations included in the study was €4.9 billion in 2002. In the same year, these foundations granted combined over €120 million. Individuals received approximately 70 percent and non-profit organizations about 20 percent of the granted support. Almost all foundations operate at a local or a national level (Manninen, 2005).

Finns still expect the public sector to provide basic services such as hospitals or schools. Only recently have there been discussions on the role of donations
in basic services, particularly in relation to a case where a foundation has been established to collect funds for a new children’s hospital. The current children’s hospital works in poor conditions due to a lack of public resources. Moreover, philanthropy has become more visible through this project, as the project has gained vast attention in the media (as in the Ilta-Lehti (2014) news article ‘He ovat lastensairaalan suurlahjoittajat’ [They are the major donors of the children’s hospital]). The foundation also publishes the names of all of their donors – unless the donor wishes to remain anonymous – at their Web pages. Most major donors are foundations or companies, but individual donors are also included. These include Conductor Mikko Franck, and Saara Wahlroos, the wife of Björn Wahlroos, one of the wealthiest people in Finland, both with a donation of more than €100,000 (The new children’s hospital, 2014). Similarly some universities have started to publish the names of their donors, including private persons, on their Web pages after universities were expected to collect a proportion of their funds through donations (e.g. Aalto University Donators, 2014).

1.5.2.3 The role of financial advisory professionals
Finland does not have a specific philanthropic advisory sector. Nevertheless, consulting agencies and lawyers provide financial advisory services also in relation to charitable donations. These services are mainly used by businesses in relation to corporate social responsibility and tax deductions on donations.

2. Explaining philanthropy in Finland

2.1 Data and methods
The data used for the following analyses was collected as a telephone interview survey in 2008 in Finland. The group of respondents is representative of the Finnish population (aged 15–70), excluding the area of Alvenamnaa which is an autonomous, Swedish-speaking region of Finland. The questions used in the following analyses were part of a larger survey, which was commissioned by Finland’s Slot Machine Association. Their purpose was to provide insights on Finns’ attitudes and activity in relation to helping others.

Respondents were asked in which ways they have helped other people. Different ways of helping were offered, and the respondents identified the ways in which they have helped. Donating in a fund-raising was one of the ways of helping that were offered. If the respondent answered ‘yes’ to having donated, the type of cause he or she had donated to was identified (Table 10.1). The respondents were asked about the amount they had donated on a scale (1–5 euros, 5–10 euros and so on), with the biggest amount being ‘over a hundred euros.’ The dependent variables in the analysis are the average amount of the scale (1–5 being 2.5 euros, 5–10 being 7.5 euros and so on, converted to US
dollars). The dependent variable in the logistic regression analysis refers to the whole group of respondents. Those who had not donated at all were coded as having donated 0 euros.

The logistic regression was not performed on religious giving, as religious giving was not included as an option in the causes of the questionnaire. Religious donating is not common in the Finnish context. Most Finns finance the activity of their church through church taxation. Even though many donate money to fund-raisers that are organized by the Evangelical Lutheran Church, these fund-raisers usually benefit various social causes rather than religious organizations.

2.2 Descriptive results

Overall, 70 percent of the respondents had donated money to fund-raisers. Table 10.1 displays the percentage of donors who had donated to different causes in 2008.

The most common causes donated to were veterans, children and international emergency relief. Thus, Finns donate most often to causes that help people. Veterans of the Winter War and Continuation War in the 1930s and 1940s against the Soviet Union are highly appreciated in Finland, which is evident in that over two-thirds of donors have donated to veterans. Funds are collected to look after the interests of veterans, as well as their spouses or widows, and to collect and record veteran-related traditions and information. As veterans and their spouses are now senior citizens, funds are also used to improve their quality of life, for instance, by helping them to live at home instead of in nursing homes. Both young men carrying out their compulsory military service as well as women who have volunteered in military service traditionally collect funds for veteran organizations on the streets.

Table 10.1  Percentage of donors who have donated to different charitable subsectors in Finland in 2008 (N = 701)

<table>
<thead>
<tr>
<th>Charitable subsector</th>
<th>Donors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veterans</td>
<td>72</td>
</tr>
<tr>
<td>Children (Unicef, Plan, World Vision, etc.)</td>
<td>67</td>
</tr>
<tr>
<td>International emergency relief</td>
<td>57</td>
</tr>
<tr>
<td>Salvation Army’s Christmas Fund-raising</td>
<td>49</td>
</tr>
<tr>
<td>Different local fund-raisings (Rotary, Lions, Schools)</td>
<td>46</td>
</tr>
<tr>
<td>Social causes (mental health patients, etc.)</td>
<td>36</td>
</tr>
<tr>
<td>Fund-raisings related to nature (WWF, Greenpeace, etc.)</td>
<td>30</td>
</tr>
<tr>
<td>Other</td>
<td>31</td>
</tr>
<tr>
<td>Do not know, do not want to say</td>
<td>&lt;1</td>
</tr>
<tr>
<td><strong>Total all causes</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>
In addition to veteran organizations, other nonprofit organizations and their volunteers collect funds on the streets. For instance, Red Cross Finland organizes an annual Operation Hunger Day when funds are collected all over Finland for emergency relief. Similarly, UNICEF Finland organizes a nationwide street collection fund-raising campaign aimed at raising funds for water-related UNICEF projects in Africa. The Evangelical Lutheran Church organizes an annual Common Responsibility Campaign for different social causes each year to help people in Finland and abroad. Such collections and campaigns make donating easy, which may also have an effect on the popularity of these causes. More than two-thirds of donors have donated to children, and more than a half of them have donated to international emergency relief. Similarly, the Salvation Army, a popular cause among donators, collects monetary donations as well as used clothes on the streets, especially during Christmas time. Donating to their ‘Christmas pots’ has become an annual tradition for many Finns, resulting in half of donors giving to the Salvation Army’s Christmas Fundraising. Nature and social sector organizations are not as active in such fund-raising campaigns, but rely more on traditional membership fees and monthly donations, which may have at least partially explain why not as many donors have donated to these causes. Nevertheless, Greenpeace has used face-to-face marketing on the streets to find new monthly donors.

In general, men, people over 50 years of age and those living outside the capital region of Helsinki give more actively to veterans compared to women, younger age groups and those living in the capital region. Instead, women and those living in the capital region donate more to international emergency relief. Women, those living in the capital region, and people under 35 years of age also donate more to fund-raisings related to nature than men, those living outside the capital region and older people. Higher education is connected with donating to international emergency relief, children and the Salvation Army (Pessi, 2008).

2.3 Explaining philanthropic giving in Finland

2.3.1 Amount donated

Table 10.2 displays the results from a Tobit regression analysis of the total amount people gave to any charitable cause. The results show that age significantly affects the level of philanthropic donations. People who are over 65 years of age are predicted to donate 38 percent more money in comparison to younger respondents. A higher education also matters: people who completed a tertiary education are predicted to give 44 percent more in comparison to those with lower education. Men in Finland donate 36 percent less than women. Marriage also affects the level of philanthropic donations; those who are married are predicted to give 31 percent more than those who are not. Furthermore,
Table 10.2  Logistic regression analysis of the total amount donated in Finland in 2008 (N = 968)

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35–65</td>
<td>0.25(+)</td>
<td>0.14</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.38*</td>
<td>0.18</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.21</td>
<td>0.16</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.44*</td>
<td>0.16</td>
</tr>
<tr>
<td>Male</td>
<td>−0.36*</td>
<td>0.12</td>
</tr>
<tr>
<td>Married</td>
<td>0.31*</td>
<td>0.14</td>
</tr>
<tr>
<td>Income$^1$</td>
<td>0.07**</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Notes: 1After tax household income in US$/10,000; **$p \leq 0.01$; *$p \leq 0.05$; (+) $p \leq 0.10$.

those with higher income are predicted to give 7 percent more than those with lower income.

3. Conclusion

In Finland, the culture of giving is changing. While Finns highly support a tax-funded welfare state, the Finnish welfare model has already changed into a mix of different welfare providers. The role of individuals’ activity has risen in importance, with the nation moving from 45th to 21st in global rankings from 2010 to 2011 (CAF, 2011). A central feature potentially stimulating philanthropic giving in Finland are the egalitarian cultural values, which entail voluntary commitment to promoting the welfare of others. They have been the foundation of the strong welfare state as well as a vibrant nonprofit sector. Finns thus have motivation to give through different channels: from monthly donations and memberships in a range of different associations to spontaneous giving to different street collections. In 2012, there were approximately 70,000 active registered associations in Finland. Considering that only 5.4 million people live in Finland, this is a very high number. Associations range from social services and advocacy to sports, culture and hobbies.

However, the strong role and support for public welfare services in Finland can be seen as factors that potentially inhibit philanthropy. In some cases, the public sector responsibility of welfare provision can be seen as an opposing force to individual and nonprofit responsibility of philanthropic giving. However, this relationship is to an extent changing as the role of individuals
and nonprofit organizations are increasingly accepted and even expected in complementing the services provided by the public sector. In addition, there are no fiscal incentives for most individual donations in Finland, which may be a factor that potentially inhibits philanthropic giving. Altruistic motivation is highlighted in Finnish philanthropy, which may result in seeing fiscal incentives as unwanted, unequal or morally wrong.

Nonetheless, 70 percent of Finns donated to one of more charitable causes in 2008. Data shows female, higher educated, married and older Finns to donate more in comparison to male, lower educated, unmarried and younger Finns. Thus, despite the view that welfare services are the responsibility of the tax-funded public sector, philanthropic giving – as a complement to public services and as aid to other social causes – has become a widely accepted part of Finnish culture, even in its more visible and more public forms.

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Giving in Germany: Toward Systematic Information on a Fragmented Nonprofit Sector

Marius Mews and Silke Boenigk

1. The philanthropic landscape

1.1 History

The historic development of the nonprofit sector in Germany can be traced from antiquity to after German reunification (for a more detailed German version of this history, see Helmig & Boenigk, 2012, or for an extensive English version of more recent history, see Anheier & Seibel, 2001). Already in Greco-Roman antiquity (about 1400 BC–600 AC) educational and social foundations existed, and the first sport clubs and museums were established (Bolkestein, 1939; Diem, 1960; Pomian, 1988; Vieregg, 2008). However, these organizations were closely related to the religious beliefs and government of the era, thus serving to worship the gods and heroes and to display sacrificial offerings (Bolkestein, 1939; Helmig & Boenigk, 2012). The rise of Christianity changed this religious influence on nonprofit activities only to a small degree. Even though the newly founded ‘Diakonie’ based its activities on fraternity and helping those in need, the strong influence of government and church remained (Bauer, 1999). At the end of the 4th century, the religious nonprofit Diakonie was used as an instrument by the government to take care of the poor and avoid any uprisings or riots (Flierl, 1992).

During the Early Middle Ages (600–1050), many wealthy people wanted to receive salvation for their soul after death and gave their heritage to monasteries or dioceses to help the poor, the old and the ill (Helmig & Boenigk, 2012). Also, museum-type nonprofit organizations existed that displayed religious relics, thrones, crowns, garments, weapons and jewelry (Vieregg, 2008).

During the High Middle Ages (1051–1500), religious influence remained strong in foundations, hospitals, museums and universities. However, with the development of trade and crafts in the cities, new, less religious
concepts emerged while cities gained influence in the social establishments of monasteries and even funded their own aid programs (Flierl, 1992).

In the Early Modern Age (1501–1800), independent nonprofit organizations developed, especially in the education sector where, for example, scholars who doubted scholasticism founded independent associations (Wex, 2004). In the 18th century, the Freemasons and Illuminates developed what can be seen as political nonprofit organizations and groups of different political thinking; Liberals, Conservatives and Radicals were formed (Wex, 2004). This time period also laid the foundations for today’s non-statutory welfare services and museums.

In the Modern Age (1801 until today), the uprising civil society founded many clubs, for example, for gymnastics, singing and worker education. Many nonprofit organizations were founded to help the government solve social issues resulting from the developing capitalism and as a result the typically German dual system of social welfare developed (Flierl, 1992; Wex, 2004; Helmig & Boenigk, 2012). The principle of ‘subsidiarity,’ which means that the government had to give every task to the smallest possible entity and ensure that it is capable to fulfill the task (Zimmer, Priller, & Anheier, 2013), gave social welfare organizations a great advantage over the government in carrying out welfare activities. Due to this principle, the ‘duality of public jurisdiction and private service provision’ developed, becoming ‘the strongest and most enduring pattern of government – nonprofit relationship in Germany’ (Anheier & Seibel, 2001, p. 54). In the last 20 years, however, this close interaction between the government and nonprofit organizations has decreased (Zimmer et al., 2013).

1.2 Size and scope of the nonprofit sector in Germany

For a long time, most analysis on the size of the German nonprofit sector was based on the John Hopkins Comparative Nonprofit Sector Project. Since the statistical data hardly covers the sector, and no single legal form for nonprofit organizations exists in Germany, accounting for all German nonprofit organizations is rather complicated (Priller & Zimmer, 2001; Priemer & Krimmer, 2011; Zimmer et al., 2013). In 2011, however, the project Civil Society in Figures (ZiviZ – Zivilgesellschaft in Zahlen) – conducted by the Donors’ Association of German Science (Stifterverband für die Deutsche Wissenschaft), Bertelsmann Foundation (Bertelsmann Stiftung) and Fritz Thyssen Foundation (Fritz Thyssen Stiftung) – analyzed the nonprofit sector systematically again (Fritsch et al., 2011). Using the statistical business register, organizations in Germany were categorized as being nonprofit or not by applying an algorithm that looked at the legal form, the name of the organization and other factors (Fritsch et al., 2011; Rosenski, 2011). Single-case research was carried out for
those organizations that were not allocated distinctively by the algorithm, and a clear-cut classification was achieved (Fritsch et al., 2011; Rosenski, 2011).

The results of this project show that the German nonprofit sector is made up of 104,855 organizations with 2,284,410 employees (subject to social insurance contributions) working in the sector as of 2007. These absolute numbers were equivalent to 2.9 percent of all organizations and 9.2 percent of all employees subject to social insurance contributions in the business register (Fritsch et al., 2011). Besides these two million socially insured employees (hauptberuflich Beschäftigte), nonprofit organizations usually also employ staff who do their work as a side job (nebenberuflich Beschäftigte) (Helmig & Boenigk, 2012). Many of these nonprofit employees have a short-term job for less than two months, or earn less than €450 per month; therefore, these workers are called marginally employed (geringfügige Beschäftigung) and are treated differently on taxes and social security (Federal Ministry of Justice, 2013a). Some 300,000 of such marginally employed persons (equivalent to 7 percent of all marginally employed) work in the nonprofit sector in Germany (Fritsch et al., 2011).

However, with regard to unpaid volunteers and board members, the statistical business register captures only organizations with a turnover of more than €17,500 or at least one employee who is subject to social insurance contributions; therefore, all nonprofit organizations that operate completely on a voluntary basis are not covered (Fritsch et al., 2011). As such, the number of nonprofit organizations given above does not cover all of the nonprofits in Germany. Besides some small numbers of organizations in various legal forms, some 580,000 registered associations (eingetragene Vereine), almost 19,000 foundations under civil law (Stiftungen), and about 10 percent of the 9,000 cooperatives (Genossenschaften) can be seen as nonprofit organizations in Germany in 2011 (Bundesverband Deutscher Stiftungen, 2011, V & M Service GmbH, 2011, Zimmer et al., 2013). This is in line with a recent survey of the nonprofit sector that questioned 3,800 organizations representative of the basic population, which estimated that 616,154 nonprofit organizations currently exist in Germany (Krimmer & Priemer, 2013).

Another way to document the size and scope of the nonprofit sector in Germany is to look at the gross value added by this sector. Based on the data from the Federal Statistical Office in Germany, the total gross value added of the nonprofit sector is calculated to be €89.17 billion or 4.1 percent of the total gross value added in Germany in 2007 (Fritsch et al., 2011; Rosenski, 2012).

Salamon and Anheier (1998) differentiated four types of ‘nonprofit regimes,’ depending on the level of government social welfare spending and the scale of the nonprofit sector. Germany is classified by the ‘corporatist model,’ which is characterized by large government social welfare spending and a strong nonprofit sector. This classification is supported by the large size of the nonprofit sector described above and the fact that in 2007, the German government
allocated in total 25 percent of the GDP on public social expenditures (OECD, 2013).

1.3 Government policy in the nonprofit sector

1.3.1 Government subsidies

The nonprofit sector in Germany relies much more on public funding than it does in other industrial countries (Salamon, Sokolowski, & List, 2003). Until the mid-1990s, the social welfare system in Germany was a lucrative and secure business for large social welfare organizations, which the state financed to carry out welfare activities (Zimmer et al., 2013). Thus, although providing funding for many social services, the government relied ‘heavily on private civil society organizations for their delivery’ (Salamon et al., 2003, p. 31). The government did not carry out the tasks themselves because of the subsidiarity principle, stating that the government should only take on tasks if no smaller entity was available to do so.

In present-day Germany, however, the partnerships between the state and nonprofit organizations are not that close anymore. Due to the decreasing financial flexibility of municipalities, welfare tasks are now given to organizations regardless of their public, nonprofit or for-profit status (Zimmer et al., 2013). In recent years, public funding has been stagnant or decreasing, regardless of the increased need of nonprofit organizations. As such, income for nonprofits has become ‘uncertain, short-term and less plannable’ (Meyer & Simsa, 2013, p. 513).

1.3.2 Fiscal incentives

One large fiscal incentive to donate in Germany is that any donation that is given to churches by the state-collected church tax is tax deductible. Depending on the state, church tax is either 8 or 9 percent of what a person has to pay as income tax. Unlike other donations, the church tax is fully income tax deductible with no upper limit. The government collects the church tax and hands it on to the specified religious community. Only religious organizations that became a corporate body under public law are allowed to collect church taxes. Therefore, only if a taxpayer declares himself/herself as Catholic, Protestant or Jewish does the government collect church tax and hand the ‘donation’ on to the specified religious community (all the information of this paragraph and more on religion and law in Germany can be found in Robbers, 2010).

Furthermore, donations to other nonprofit organizations are also tax deductible, which can be a large fiscal incentive considering that Germans pay up to 47.5 percent income tax under a progressive tax system (Federal Ministry of Finance, 2013). The tax deductibility of donations was increased in 2007, and donations of up to 20 percent of all income became tax deductible in Germany (Federal Ministry of Finance, 2008). This deduction is valid for almost
any donation that goes to an organization working for charitable, benevolent or religious purposes and is therefore exempt from corporate taxation (for other eligible organizations and legal restrictions, see German Income Tax Act §10b in Federal Ministry of Justice, 2013b). Additionally, a special rule allows individual persons, but not companies, to deduct a donation to the endowment of a foundation of up to €1 million from their income tax over ten years, thereby exceeding the 20 percent rule in these years (von Hippel, 2010).

This tax deductibility of donations is also true for membership fees of clubs as long as the main field of activity is not spare-time behavior like sports or cultural events. For donations of up to €200, it is sufficient to prove that the contribution was made, for example, by presenting the banking documents. For donations of more than €200, an official donation receipt is needed to deduct them from the taxable income.

Based on numbers of the Federal Statistical Office in Germany for 2005, Sommerfeld and Sommerfeld (2010) show that 9.5 of the 26 million income taxpayers claimed to have made donations or paid membership fees. The roughly 30 million income taxpayers represent about 45 million actual persons, because married couples can pay joined income tax; thus in some cases, one taxpayer is actually equivalent to two real persons (Sommerfeld & Sommerfeld, 2010). The total amount of claimed donations and membership fees in 2005 was €4.5 billion and 78 percent of them (3.5 billion) were actually deducted (Sommerfeld & Sommerfeld, 2010).

1.4 Regulation of the nonprofit sector

Germany does not have a strong public monitoring system of nonprofit organizations; therefore, self-regulation has emerged ‘in the form of a watchdog or third party certification agency’ (Bies, 2010, p. 1070). In Germany, the central organization for this self-regulation is the German Central Institute for Social Issues (Deutsches Zentralinstitut für soziale Fragen, DZI). In its role as a watchdog, the DZI publishes a ‘black list’ of organizations who they consider not to be trustworthy on its website. The list has two categories; in the first category, the Institute warns potential donors of organizations that lack transparency and need clarification. In the second category, the Institute lists organizations that are in violation of basic principles for fund-raising organizations, such as economical use of their funds or truthful advertisement (German Central Institute for Social Issues, 2013a).

Regulation of the nonprofit sector in Germany can also be seen from a legal perspective of what nonprofit organizations are allowed and not allowed to do. This is especially the case when a nonprofit organization is founded, because nonprofits have several organizational forms to choose from in Germany (Helmig, Spraul, & Michalski, 2010) and different regulations apply depending on that legal type of the organization. The two basic forms of nonprofit
organizations in Germany are associations and foundations. Von Hippel (2010) explains under German law, an association can be established if at least seven members finalize the bylaws of the association, if a first board director has been appointed in a general assembly meeting, and if the association is registered by the court. Generally, an association can have any lawful purpose, but it is commonly accepted that the economic activities are limited and that a non-distribution constraint exists.

A foundation does not have members and therefore only a board director is needed, who can be the founder. For the establishment of a foundation, the foundation’s deed has to be issued, the statutes have to be drafted, an approval of the state supervisory authority is needed and an initial endowment of at least €100,000 is generally seen as sufficient to ensure the ‘permanent and sustainable promotion of the foundation’s purpose’ (translation of German law in von Hippel, 2010, p. 202). After the establishment, organizations only receive tax benefits if they fulfill the requirement to promote a public benefit purpose (see von Hippel, 2010 for a translated list of possible purposes) and if they follow several additional rules mostly regarding their funds.

Regarding fund-raising, in some states personal fund-raising activities – such as door-to-door collections – still need the consent of particular regulatory authorities (von Hippel, 2010; Helmig & Boenigk, 2012). However, most states have abolished this rule and trust their citizens to be capable of identifying dishonest fund-raising activities (Helmig & Boenigk, 2012). Nevertheless, fund-raising activities as well as other measures of solicitation are subject to supervision and can be prohibited or restricted by the regulatory authority (von Hippel, 2010). Fund-raising and administrative costs are not unlimited, since all expenses shall be spent for the charitable purpose. Tax authorities argue that a fixed cost ratio of more than 10 percent is not acceptable, but much higher rates, even above 50 percent, are allowed for a maximum of four years after the establishment (von Hippel, 2010).

1.5 Culture

1.5.1 Religion

Germany is a mostly Christian country with slightly more Catholics than Protestants. Figure 11.1 displays the largest religious communities in Germany and its members in millions and shows that both major churches have more than 20 million members. Another four million Germans are Muslim, about half a million are members in Orthodox oriental churches, 250,000 are Buddhist, 120,000 are Hindu and 110,000 are Jewish.

Regarding donations, it is interesting to note that the Roman Catholic and Protestant churches are corporate bodies under public law, and thus are allowed to have the government collect church taxes for them. The same is true
for the Jewish communities and more recently for the first Islamic religious organization (Peters, 2013).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising
In Germany, an important institute for the organization of fund-raising, especially from a donor perspective, is the German Central Institute for Social Issues. The German Central Institute for Social Issues warns potential donors about organizations that lack transparency (German Central Institute for Social Issues, 2013a) and gives out the DZI Donation Seal (DZI Spendensiegel) to any organization accepting the developed guidelines (German Central Institute for Social Issues, 2013b). The guidelines demand that the organization complies with various rules regarding marketing and public relations, the usage of funds, salaries, financial reporting and transparency. For example, the guidelines ask organizations to have marketing and administrative costs that are lower than 30 percent of the funds collected. In November 2012, some 251 organizations had received the DZI Donation Seal (German Central Institute for Social Issues, 2013c).

From a fund-raiser’s perspective, the German Fundraising Society (Deutscher Fundraising Verband) is also an important organization. In 2011, the German Fundraising Society had more than 1,300 members who were voluntary and employed fund-raisers, donation organizations, fund-raising service organizations, researchers and scientists and other persons working on the giving culture in Germany (Deutscher Fundraising Verband, 2013a).

The German Fundraising Organization is also one of the host organizations of the ‘Initiative Transparent Civil Society’ (Initiative Transparenz Zivilgesellschaft) that attempts to achieve common publishing practices of German nonprofit organizations. The initiative derived ten basic points of
information that any nonprofit organization should make publicly available, including the organization’s address, year the organization was founded and use of funds (Deutscher Fundraising Verband, 2013b). Other hosts of the initiative are Transparency International Germany (Transparency International Deutschland e.V.) and the abovementioned German Central Institute for Social Issues.

1.5.2.2 Major donors

Germany still has much untapped potential to collect donations from major donors, which could lead to a significant number of new funds and resources for nonprofit organizations. Based on the number of 861,000 ‘high net worth individuals,’ meaning people with US$1 million or more of investable assets (Capgemini Merrill Lynch, 2010), Haibach (2010) calculates the additional fund-raising potential to be €6.76 billion if 1 percent more was donated by these wealthiest people in Germany. This amount is even higher in 2013, because the number of high net worth individuals has risen to over one million in Germany (Capgemini Merrill Lynch, 2013).

The large potential for recruitment of major donors is also evident in the data of a survey of the German Institute for Social Issues, as Sommerfeld (2009) finds that people with higher income donate bigger amounts, but that people with lower income donate greater shares of their income. This data is reflected in the finding that 16 percent of the donations from people with a monthly household net income of above €2,500 can be called large donations, as they are equal to or greater than €500 (Sommerfeld, 2009). For monthly household net income of €1,500–€2,500, that percentage of large donations is cut in half.

However, people with a monthly household net income of less than €1,500 donated 0.3 percent of their income, whereas people with an income above €2,500 only donated 0.06 percent of theirs (Sommerfeld, 2009). Therefore, if it was possible to convince high-income Germans to give a comparable share of their income as lower income Germans do, nonprofits would see a dramatic increase in donations.

1.5.2.3 The role of financial advisory professionals

The tax system in Germany is not very easy and filing taxes can be difficult, which is why professional help of financial advisors is helpful. From a donor perspective, it is important to know which donations are tax deductible, to what extent they are and what documents have to be kept to receive such deductions. Regarding these legal issues, a potential donor in Germany can turn to one of the more than 90,000 tax advisors or tax advisory organizations that operate in Germany, as of 2012 (Bundessteuerberaterkammer, 2013). Another important question of donors is which organization to give to. In Germany, it is
especially difficult to find the right organization to donate to, as not only do a lot of nonprofit organizations exist but also they operate in various legal forms. The aforementioned Donation Seal (Spendensiegel) of the German Central Institute of Social Issues provides some orientation for donors (German Central Institute for Social Issues, 2013b). In addition to the seal, the Institute has on their website (http://www.dzi.de/) a large section of donor advisory services. For example, donors can search a database that contains general information and also an evaluation by the Institute on many nonprofit organizations. Information on all organizations who received the Donation Seal are also published in an annual book report, ‘Donation Almanac’ (Spenden-Almanach), that gives extensive descriptions of each of the 257 organizations in 2012 (German Central Institute for Social Issues, 2012). Furthermore, regarding wealth management, financial advisors at many German banks offer sustainable or green investment strategies to their customers.

From the perspective of nonprofits, another source for financial advisory is given by banks like the GLS bank, whose business philosophy is to offer sustainable investments and low interest rates on loans to charitable organizations in order to be a ‘community bank for loans and gifts’ for customers who are willing to accept lower interest rates on their savings (GLS Bank, 2013).

1.6 Other relevant characteristics for Germany

1.6.1 Donation in case of natural disasters

Germany experiences strong increases in the number of people who donate when natural disasters occur. Survey data shows that in years with natural disasters, which are covered widely in the media, the overall rate of people who gave money was higher (TNS Infratest, 2011; Helmig & Boenigk, 2012). Figure 11.2 shows the share of donors in Germany from 2000 to 2011, based on a survey of Germans older than 14 years old (TNS Infratest, 2011).

Figure 11.2 shows the rate of donors increased from 40 to 47 percent from 2001 to 2002, the year in which a large flooding occurred in Germany. Another peak, or strong increase, is evident comparing the year 2004 with 2005, where the donation rate increased from 40 to 50 percent (TNS Infratest, 2011), most likely because of the tsunami in the Indian Ocean in December 2004. Therefore, one of the typical eight donation mechanisms appearing to work very well in Germany is the effect of an increased awareness of need (Bekkers & Wiepking, 2011; Helmig & Boenigk, 2012).

Surprisingly, however, this pattern is not very visible in 2010, even though Germans donated €230 million to post-earthquake Haiti (German Institute for Social Issues, 2011), where German organizations provided disaster relief (Nolte & Boenigk, 2011), and despite the €200 million donated to Pakistan.
after strong flooding (German Institute for Social Issues, 2011). Neither did the share of donors increase in 2011, when Germans donated €72 million to Japan, where an earthquake led to a tsunami and a meltdown at a nuclear power plant (German Institute for Social Issues, 2011). Therefore, we conclude that despite the large donations in response to natural disasters given by Germany, the effects were not strong enough to reverse the general downtrend in the number of donors over recent years.

1.6.2 Donating blood in Germany

Another relevant and special characteristic of the philanthropic opportunities in Germany is the blood donations market. Unlike in many other countries, the blood donation system is neither completely reliant on nonprofits with voluntary blood donations nor is it completely reliant on private, for-profits. Rather, there are nonprofit blood donation organizations that are in direct competition to public and for-profit organizations. Also, some organizations offer a monetary compensation, while others do not (Mews, 2013; Mews & Boenigk, 2013). This unusual situation of direct competition between for-profits and nonprofits and the unusual choice of blood donors to receive a monetary compensation when donating to one organization, or donating blood completely voluntarily to another organization, creates an interesting research possibility to analyze the importance and the role of monetary incentives for philanthropic behavior in Germany (Mews, 2013).
2. Explaining philanthropy in Germany

2.1 Data and measures

In Germany, different sources of data exist for all three types of giving: volunteering, donating blood and donating money. One major source of data and information on volunteering in Germany can be the ‘Volunteer Survey’ (Freiwilligensurvey) of the Federal Ministry of Family, Senior Citizens, Women and Youth (Federal Ministry of Family, Senior Citizens, Women and Youth, 2013). Regarding donations of blood, all collecting organizations are obligated to report collection data to the Paul-Ehrlich-Institute, which thereafter publishes the data on its website (Paul-Ehrlich-Institute, 2013). To calculate the pure amount of monetary donations, the income statistic of the Federal Bureau of Statistics can be used (Sommerfeld & Sommerfeld, 2010). For more detailed analyses of donors and their characteristics, one of the many surveys such as the Donation Monitor (Spendenmonitor) (TNS Infratest, 2011), the GfK CharityScope (Deutscher Spendenrat & GfK, 2013), the public survey of the DZI (Sommerfeld, 2009) or the 2010 survey for the German Socio-Economic Panel Study (Socio-economic Panel, 2011) can be used.

Because of its large size of about 20,000 respondents each year and the extensive list of variables, this study uses the data of the German Socio-Economic Panel Study collected in 2010 that asked respondents about their donation behavior in the year 2009. The annual study of people living in Germany started in 1984 (Wagner, Frick, & Schupp, 2007).

Respondents were mostly interviewed face-to-face with a pen and pencil survey (Wagner et al., 2007) and all questions regarding donations were asked on an individual level, meaning they asked for personal donations rather than combined household donations. There are two separate questions regarding donations: the first one measures the incidence of giving, and the second measures the exact amount donated in 2009. Unfortunately, only total amount of donations were asked, and respondents did not further specify to which nonprofit subsector the money was given.

Because some of the independent items we used were only asked in previous waves of the annual survey, we pulled an unbalanced sample of the years 2010, 2009, 2008 and 2007, with all age groups included. The complete unbalanced sample is made up of 25,456 respondents. We find 16,819 valid responses, 1,946 ‘does not apply,’ 93 ‘no answer’ and 6,598 missing responses to the question of whether the respondent donated in 2009. The amount donated was given by 6,961 respondents, with 11,766 ‘does not apply,’ which includes non-donors of the previous question, 131 ‘no answer’ and 6,598 missing responses. In order to make the dataset usable for this study, we recode ‘does not apply’ to equal an amount donated of €0, if the respondent indicated that he did not make a donation in 2009 in the first question. Thereafter, the amounts were adjusted
to equal the value of US dollars in 2012 to make them comparable to the other countries of this study.

Because of oversampling of some groups, such as people of immigrant backgrounds and high-income individuals (for detailed description of sampling procedures of the last 20 years, see Wagner et al., 2007), the sample is not representative without applying weights or using expansion factors, which we did but only in the following descriptive section of this chapter.

2.2 Descriptive results

Table 11.1 displays the descriptive results of donations in Germany. By applying frequency weights using the expansion factors (Hochrechnungsfaktoren) delivered with the SOEP dataset, the number of observation became 68.3 million on the incidence of giving question and the dataset is thereafter representative for Germany.

We find that 27.1 million of the 68.3 million observations have indicated donations in 2009, which is equivalent to 39.79 percent of the population in Germany. We find 26.5 million observations that also submitted the amount they donated, which is on average €201.60. This average amount donated is equivalent to US$299.05 in the year 2012.

We also calculate an estimate of the total amount donated in Germany after this dataset expansion and found that €5.3 billion were donated in 2009, which is equivalent to US$7.9 billion in 2012. The estimate appears realistic and in line with other works that estimate the total amount donated to be between €2 billion and €5 billion depending on the type estimation (Sommerfeld & Sommerfeld, 2010).

The results we found for 2009 (€5.3 billion or US$7.9 billion [equated to US dollar value of 2012]) are slightly higher than the amount of donations that taxpayers in Germany filed for tax reductions in 2005, which was €4.5 billion (Sommerfeld & Sommerfeld, 2010) or US$6.3 billion in 2012 US dollars value. It cannot be determined however, if our numbers are the sign of an actual increase in donations, or simply a more realistic estimate of donations due to

Table 11.1 Percentage donors and average amount donated in Germany in 2009 (SOEP, 2011)

<table>
<thead>
<tr>
<th>Donors (%) (Expanded N = 68,302,993)</th>
<th>Conditional donation in US dollars (Expanded N = 26,487,639)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total donation to all causes</td>
<td>39.79</td>
</tr>
<tr>
<td></td>
<td>299.05</td>
</tr>
</tbody>
</table>

Note: All results were frequency weighted with the expansion factors (Hochrechnungsfaktoren) delivered with the SOEP wave 2010.
the fact that usually some donations do not get filed with the tax authorities (Sommerfeld & Sommerfeld, 2010). As it is in the case of any survey, the sum of all donations might also be reported slightly higher in this data than it is in tax statistics, due to a social desirability bias of some respondents.

2.3 Explaining philanthropic giving in the Germany

2.3.1 Incidence of giving

Table 11.2 displays the results of a logistic regression analysis of whether or not people give to any charitable cause (total giving). From the odds ration we can see that a person who is older has a higher probability to be a donor than younger persons. Compared to the reference group of persons who are 34 and younger, we find that people between 35 and 64 years have a 94 percent higher probability to give, and people who are 65 and older have a 225 percent higher probability to donate.

Those with a higher education also have a higher probability of giving. People who completed a secondary education have a 78 percent higher probability of making donations compared to those with primary education or less. People

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>S.E.</th>
<th>Odds ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>−2.83**</td>
<td>0.01</td>
<td>0.06</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.66**</td>
<td>0.12</td>
<td>1.94</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>1.18**</td>
<td>0.22</td>
<td>3.25</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.58**</td>
<td>0.08</td>
<td>1.78</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.13**</td>
<td>0.17</td>
<td>3.08</td>
</tr>
<tr>
<td>Male</td>
<td>−0.15**</td>
<td>0.03</td>
<td>0.86</td>
</tr>
<tr>
<td>Married</td>
<td>0.14**</td>
<td>0.05</td>
<td>1.15</td>
</tr>
<tr>
<td>After tax household income¹</td>
<td>0.06**</td>
<td>0.01</td>
<td>1.06</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.32**</td>
<td>0.06</td>
<td>1.37</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.48**</td>
<td>0.09</td>
<td>1.62</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.55**</td>
<td>0.08</td>
<td>1.74</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>−0.00</td>
<td>0.10</td>
<td>1.00</td>
</tr>
<tr>
<td>Religious attendance²</td>
<td>0.36**</td>
<td>0.03</td>
<td>1.43</td>
</tr>
<tr>
<td>Generalized trust³</td>
<td>0.66**</td>
<td>0.17</td>
<td>1.93</td>
</tr>
</tbody>
</table>

Notes: ¹ After tax household income in US$/10,000; ² Religious service attendance in times a month; ³ Scale 0–1; ** p ≤ 0.01; * p ≤ 0.05; (+) p ≤ 0.01.
who completed a tertiary education have a 208 percent higher probability of making a donation compared to people with only a primary education.

Men have a 14 percent lower probability of making a donation compared to women. Higher income increases the probability to give by 6 percent with every additional US$10,000 of net household income. Being married increases the probability to donate by 15 percent. The same is true for homeowners, who have a 37 percent higher probability of giving compared to people who do not own a house.

Religious affiliation also significantly influences the probability to give. People who belong to the Roman Catholic Church have a 62 percent higher probability of giving, while people with a Protestant religious affiliation have a 74 percent higher probability of giving. People who are religious, but in other Christian or non-Christian religious organizations do not have a significantly higher probability of giving. It is possible that people do not include, or forget that they are a donor, when they pay church tax, even though the wording of the donation question in this survey explicitly mentions the giving of money to religious causes. Attending religious services more frequently also increases the probability to give. Finally, the level of which people trust other people (generalized trust) positively influences their probability of giving.

2.3.2 Amount donated

Table 11.3 displays the results from a Tobit regression analysis of the natural log of the total amount people donated in 2009. The results show that being older increases the amount people donate. In comparison to persons younger than 35 years of age, people who are between 35 and 65 years of age are predicted to donate 91 percent more, and people who are over 65 years of age are predicted to donate 158 percent more.

Also, the higher a person’s education, the higher the amount donated. Compared to people with a primary education or less, people who completed a secondary education give 73 percent more and people who completed a tertiary degree give 146 percent more. Men are predicted to give 11 percent less than women. Being married increases the predicted amount donated by 13 percent. People who earn 10,000 or more US dollars on a yearly basis are predicted to give 8 percent more. Home ownership is predicted to increase the amount donated by 43 percent.

All religious affiliations are positively related to the level of philanthropic giving. Compared to those who are not religiously affiliated, people who are Catholic are predicted to give 60 percent more, people with a Protestant religious affiliation are predicted to give 69 percent more, and people who belong to another religion give 26 percent more. Furthermore, attending religious services more often per month is associated with a higher predicted giving. Finally,
people who trust others more are predicted to donate more money than people who completely distrust other people.

### Table 11.3 Tobit regression analysis of natural log of the total amount donated in Germany in 2009 (N = 13,657; SOEP, 2011)

<table>
<thead>
<tr>
<th>Total giving</th>
<th>Marginal effect</th>
<th>S.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.91**</td>
<td>0.07</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>1.58**</td>
<td>0.08</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>0.73**</td>
<td>0.05</td>
</tr>
<tr>
<td>Secondary education</td>
<td>1.46**</td>
<td>0.06</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.46**</td>
<td>0.06</td>
</tr>
<tr>
<td>Male</td>
<td>–0.11*</td>
<td>0.04</td>
</tr>
<tr>
<td>Married</td>
<td>0.13**</td>
<td>0.05</td>
</tr>
<tr>
<td>After tax household income$^1$</td>
<td>0.08**</td>
<td>0.06</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.43**</td>
<td>0.05</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>–</td>
<td>0.05</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.60**</td>
<td>0.06</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.69**</td>
<td>0.06</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.26*</td>
<td>0.12</td>
</tr>
<tr>
<td>Religious attendance$^2$</td>
<td>0.42**</td>
<td>0.02</td>
</tr>
<tr>
<td>Generalized trust$^3$</td>
<td>0.85**</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Notes: $^1$ After tax household income in US$/10,000; $^2$ Religious service attendance in times a month; $^3$ Scale 0–1; ** $p \leq 0.01$; * $p \leq 0.05$; (+) $p \leq 0.01$.

3. Conclusion

Germany as a social welfare state has a large nonprofit sector that depends strongly on public funding (Salamon et al., 2003). The German government spends 25 percent of GDP on public social expenditures. However, due to the already existing and future costs of the banking crisis and a large, increasing national debt, it is foreseeable that nonprofit organizations in Germany will not be able to rely on the government that much in the future. Most likely they will have to increasingly tap into the resource of private giving. There is great potential for more private donations, especially with regard to donations from the wealthiest people in Germany, who currently donate only small shares of their income (Haibach, 2010).

In order to successfully collect more private funds, all nonprofit organizations in Germany need to learn about who gives and who does not. With the large
dataset of the German Socio-economic Panel Study, we find people to be more likely to donate when they are female, older, higher educated and more religious, which is in line with previous research (Priller & Schupp, 2011). We find the same socio-demographic groups to also donate in higher amounts comparatively. These findings can be interpreted in two useful ways for nonprofit organizations.

On the one hand, higher educated, older and female persons can be seen as a good target group for nonprofit organizations, because they are very likely to donate money. On the other hand, these people already donate a lot, and thus the untapped resource of those who do not yet give may be the better target group. This strategic decision has to be made by each nonprofit organization individually. Also, each organization has to find out for itself why some people donate and others do not, and what are the most effective measures to ensure satisfied donors and a high number of donations, as these answers can vary across donation contexts (Boenigk & Helmig, 2013).

On a larger, national scale, the question of why people with large income donate a significantly lower share of their earnings than people with low incomes has to be answered. It is possible that people with high incomes feel that because they already pay very high taxes, which are later spent on public social expenditures, they had done their share of giving already. However, if the government is still unable to provide for those in need, then the need for the wealthy to donate persists despite high tax rates. As a first step to incentivize higher donations, the government increased the amount for which no special donation receipts are required from €100 to €200. Also, the number of new foundations is remarkable – despite a small drop, more than two new foundations are founded each day in Germany (Bundesverband Deutscher Stiftungen, 2013). Thus, these foundations may offer a preferred way of giving for the wealthiest. Moreover, this growth may secure or even enlarge the nonprofit sector in Germany in the coming years.

References


1. The philanthropic landscape

1.1 History

Ireland has a long history of philanthropy, rooted in a strong religious tradition. In the late 1700s, Protestant philanthropy helped to alleviate the physical and medical needs of the impoverished working classes (Kelly & Powell, 2010). Beginning in 1770, the incremental waning of the Penal laws enabled the growth of Catholic charities (Raughter, 1997). Following Catholic emancipation in 1829, greater Catholic clergy involvement in charitable activity emerged with religious involvement in philanthropy becoming more formalized in Irish society. The introduction of the Poor Laws to Ireland in 1838, which brought into existence a statutory relief system for the destitute, however, led to a fall off in charitable donations and resulted in some charities ceasing to operate thereafter (Cousins, 2008). The Irish famine in the 1840s had a further chilling effect on charitable institutions. Nevertheless, given the Poor Laws’ strict eligibility requirements for receiving relief, religious orders once more found their way to the forefront of philanthropy, providing voluntary hospitals and assisting those in need (Donoghue, Prizeman, O’Regan, & Noël, 2006).

In the late 19th century, religious charities provided many essential services in the fields of health care, education and social welfare. In the 20th century, many of these voluntary organizations partnered with the state to provide these services on its behalf while receiving its funded support. The most recent growth period for Irish philanthropic giving was during the ‘Celtic Tiger,’ a time of rapid economic growth in Ireland between 1995 and 2008. During the Celtic Tiger years, national wealth rose exponentially with the net wealth in the Irish economy growing by 350 percent – three times faster than the rate of growth in Britain for the same period (Prospect23, 2009). During this period, the Community Foundation for Ireland was established; over the past decade, it...
has created an endowment of €27 million and provided €12 million in grants to the region (Community Foundation for Ireland, 2012).

In 2006, the Irish government established the Forum on Philanthropy to create a supportive environment for greater giving. Initially chaired by the Department of An Taoiseach and drawing membership from five philanthropic organizations, the Forum acts to acknowledge the positive contribution of philanthropy in Irish society as well as to explore the potential to further develop planned giving in the subsequent decade. The work of the Forum lost momentum during the financial crisis; nonetheless, a change in government in 2011 shifted departmental responsibility for the Forum to the Department of Environment, Community and Local Government, under whose auspices the Forum reconvened, expanded and revitalized.

1.2 Size and scope of the nonprofit sector in Ireland

There is no public register of charities in Ireland, thus making it difficult to accurately quantify the size of the nonprofit sector. Ireland has a population of just over 4.5 million people (CSO, 2012a). According to Revenue records, there are presently just over 8,200 organizations entitled to charitable tax-exempt status (Revenue Commissioners, 2013a). In 2006, Trinity College researchers estimated that there were approximately 24,000 nonprofits in Ireland (Donoghue et al., 2006). More recent research by INKEx, using a narrower definition for a nonprofit, predicts the total to be 12,000 (INKEx, 2012). The sector employs more than 100,000 people with pay costs in the order of €3.5 billion. It enjoys a total income of more than €6 billion and holds assets valued at more than €3.5 billion (INKEx, 2012).

In terms of the nonprofit sector classification of Salamon and Anheier (1998), the relationship between the state and the nonprofit sector in Ireland can be classified by the corporatist model. In line with this model, the Irish nonprofits work closely with the State in the provision of public services and are largely funded by the State, resulting in a sizeable nonprofit sector (based on numbers employed) and extensive government social welfare spending. In 2005, the Irish government spent 16 percent of GDP on public social expenditure, a figure that has risen every year since (OECD, 2013a).

1.3 Government policy in the nonprofit sector

1.3.1 Government support

Given the high level of public spending, it is not surprising that the Global Civil Society Project reveals that the nonprofit sector in Ireland relies heavily on income from the public sector: 77.2 percent of nonprofit revenue is derived from public sector income (Salomon & Sokolowski, 2004). The bulk of this funding is devoted to education (56 percent), followed by health (29 percent)
and then development and housing (6.6 percent) (Donoghue, Anheier, & Salamon, 1999).

The state greatly relies on nonprofits to deliver core services, to a degree unique among developed countries. In Ireland, 96 percent of primary schools are under Roman Catholic patronage, with the state providing funding for these schools rather than providing a state alternative (Coolahan, Hussey, & Kilfeather, 2012). A similar pattern of state reliance on nonprofits can be seen in the health sector. In 2004, Irish nonprofits provided approximately 90 percent of all intellectual disability services and about 60 percent of physical and sensory disability services. Funds allocated to the procurement of nonprofit disability services accounted for 70 percent of direct health expenditures on disability services in 2004 (Comptroller and Auditor General, 2006).

### 1.3.2 Fiscal incentives

Ireland has a progressive personal income tax system with an upper tax rate of 41 percent. Irish tax law provides tax relief for certain ‘eligible charities’ and other ‘approved bodies’ for donations worth between €250 and €1 million made in a given tax year. Before Revenue will recognize a body as an ‘eligible charity,’ it must already be registered as a tax-exempt charity with Revenue and be at least two years in existence. ‘Approved bodies’ typically take the form of education bodies and certain human rights organizations that meet the requirements of Irish tax law. Recently, there has been much discussion about complexities and inefficiencies in the Irish fiscal infrastructure related to giving and philanthropy, particularly concerning Section 848A of the Taxes Consolidation Act 1997, which governs eligible charity donations. The Department of Environment, Community and Local Government asked the reconvened Forum on Philanthropy and Fundraising in 2011 to make recommendations to improve the fiscal climate for giving. Many of the Forum’s recommendations (2012) were put into effect in the Finance Act 2013.

Beginning in 2013, eligible donations made by pay-as-you-earn (PAYE) and self-assessed taxpayers will benefit from tax relief at a rate of 31 percent; however, that relief will be paid directly to the charity – not the donor – on a ‘grossed up’ basis (Finance Act, 2013, s19). In other words, the donation will be treated as having been received by the eligible charity or approved body ‘net’ of income tax. Prior to 2013, self-assessed taxpayers directly received the benefit of the relief rather than the charities. Thus, the Finance Act 2013 simplifies the administration of the tax relief system for both Revenue and affected charities, but its impact on donor behavior has yet to be seen. This legislation may particularly impact those self-assessed donors who previously factored in tax relief when making donations.

At present, eligible charities account for 26 percent of all charities registered with Revenue. The cost to the Exchequer of the gift deduction is around €50
million per annum (Commission on Taxation, 2009) and in 2006 benefitted just over 1,000 charities (approximately 13 percent, according to submissions made by the Irish Charities Tax Reform Group) (ICTRG, 2008). Recent figures released by Revenue reveal a year-on-year increase in the number of self-assessed taxpayers donating to eligible charities, although the total amount donated has fallen from a high of €60.6 million in 2008 to €58.7 million in 2010, as shown in Table 12.1. The tax refund in each of these past instances accrued directly to the donor, a situation that, as explained above, will change from 2013 to 2014 onward.

For the same tax year of 2010, Table 12.2 reveals that a total of 109,226 PAYE taxpayers donated a total of €61 million to eligible charities, which yielded an additional €30.2 million for these charities in tax refunds. While the recession has affected both the number of PAYE donors and amount donated, it should be kept in mind that these figures capture donor behavior for eligible donation-scheme charities (a mere 26 percent of all tax-exempt registered charities) in which the annual donation exceeded the threshold of €250. It follows that the total amount actually donated to all charities and the number of individual donors are likely to be much higher.

Table 12.1  The scheme of tax relief on donations from self-assessed taxpayers

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of donors</th>
<th>Donations amount</th>
<th>Tax refund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>28,909</td>
<td>€60.3 million</td>
<td>€21.7 million</td>
</tr>
<tr>
<td>2008</td>
<td>34,088</td>
<td>€60.6 million</td>
<td>€21.4 million</td>
</tr>
<tr>
<td>2009</td>
<td>36,402</td>
<td>€57.4 million</td>
<td>€19.4 million</td>
</tr>
<tr>
<td>2010</td>
<td>37,123</td>
<td>€58.7 million</td>
<td>€19.8 million</td>
</tr>
</tbody>
</table>

Source: Revenue figures shared with the authors.

Table 12.2  The scheme of tax relief on donations from PAYE only

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of donors</th>
<th>Gross contributions &amp; tax relief (€, in million)</th>
<th>Donations amount (€, in million)</th>
<th>Tax refunds (€, in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>81,294</td>
<td>€72.3</td>
<td>€47.0</td>
<td>€25.3</td>
</tr>
<tr>
<td>2008</td>
<td>96,366</td>
<td>€86.6</td>
<td>€57.1</td>
<td>€29.5</td>
</tr>
<tr>
<td>2009</td>
<td>119,223</td>
<td>€98.9</td>
<td>€67.3</td>
<td>€31.6</td>
</tr>
<tr>
<td>2010</td>
<td>109,226</td>
<td>€91.2</td>
<td>€61.0</td>
<td>€30.2</td>
</tr>
<tr>
<td>2011</td>
<td>99,701</td>
<td>€79.4</td>
<td>€53.1</td>
<td>€26.3</td>
</tr>
<tr>
<td>2012</td>
<td>96,262</td>
<td>€76.5</td>
<td>€51.4</td>
<td>€25.1</td>
</tr>
</tbody>
</table>

Source: Revenue figures shared with the authors.
1.4 Regulation of the nonprofit sector

In Ireland, the Department of Justice, Law Reform and Equality is responsible for charity regulation. Currently (at the time of writing), the Charities Act 2009 is still waiting legislative commencement; as a result, a poor regulatory framework exists for regulation of the sector at present. There is no regulator of charities in Ireland nor is there a comprehensive charities register. There is no requirement under charity law for a charity to file annual accounts or an annual report of activities. The statutory requirements relating to fund-raising regulation date back to the 1960s and are outdated and inconsistent in their approach (Breen, 2009, 2012). The Department of Justice hopes to begin implementation of the Charities Act in 2013–2014 and has carried out a public consultation process upon the best way to move forward in economically constrained times (Department of Justice, Law Reform and Equality, 2013).

However, statutory regulation does exist in other forms for certain charities. Nonprofits enjoying charitable tax-exempt status are subject to scrutiny by the Revenue Commissioners who reserve the right to audit accounts at their discretion. Charities established as incorporated entities must comply with company law, file annual accounts with the Companies Registration Office and are open to investigation by the Office of the Director of Corporate Enforcement for any violation of company law (ODCE, 2010).

Aside from statutory regulation, the nonprofit sector has sought to self-regulate in a number of areas. In the area of fund-raising, the sector developed a code of best practice in 2008, which was officially launched in 2010 (ICTR Ltd, 2008). Adoption of the code has been very slow with just over 90 organizations currently named as signatories. Given that there are at least 2,235 ‘eligible charities’ recognized by Revenue as engaged in active fund-raising (Revenue Commissioners, 2013b) and entitled to tax relief on donations made to them, the low uptake of the Statement of Guiding Fundraising Principles is significant. The absence of a fund-raising seal that can be displayed by compliant members may be a contributing factor to the low public awareness of this regulatory regime. By contrast, the nonprofit sector produced a new governance code in 2012, which within the first year can boast 61 compliant signatories and 257 other organizations publicly registered as ‘on the journey’ toward full adoption and compliance (Governance Code, 2013).

1.5 Culture

1.5.1 Religion

Ireland does not have an established church nor does it impose a state Church Tax. The Irish Constitution (1937) guarantees freedom of religion. The predominant religion since 1881 has been Roman Catholicism, although the 2011 Census records the lowest ever number of Catholics at 84.2 percent.
The second-largest religious group is comprised of the Church of Ireland and Protestants, accounting in 2011 for 2.92 percent of the population (a fall from 8.2 percent in 1881). In the 20 years since 1991, there has been a significant increase in the non-Catholic population, which is attributable both to the growing number of people who classify themselves as having no religion and to the large increases in the religions of immigrants from Eastern Europe, Africa and Asia. The fastest growing religions have been Orthodox (with an annual growth rate of 24.7 percent between 1991 and 2011, and now accounting for just under 1 percent of the population), followed by Apostolic and Pentecostal. The Muslim population in Ireland has also grown from just 0.1 percent of the total population in 1991 to 1.1 percent in 2011. In 2009–2010, the percentage of Catholics in the Republic of Ireland attending Mass weekly or more often stood at 51.6 percent (O’Mahony, 2011).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Organization of fund-raising is still in its infancy in Ireland. Fundraising Ireland, an association of professional fund-raisers, was established in 2007 to raise fund-raising standards and promote excellence. Although it currently has 281 members, it has yet to produce its first report (forecast for 2014).

There is limited information on the cost of fund-raising in Ireland. In its second annual report on fund-raising performance, the nonprofit advisory firm 2into3 surveyed 171 nonprofit organizations (not statistically representative of the sector) and found that it cost an average of 15.4 cent to raise €1 of fund-raised income in 2009–2010 (2into3, 2011). This is slightly lower than the 2008–2009 figure of 18 percent (2into3, 2010), most likely due to the small sample used in the calculation rather than a systematic fall in costs. However, a characteristic feature of the Irish nonprofit sector is its ‘skewed nature’ with many small organizations and few large organizations (2into3, 2011), which can cause bias when calculating averages. Accurate estimates of fund-raising costs for the sector, therefore, have yet to be published.

Commonly used solicitation methods among Irish charities include fundraising events, corporate sponsorship, standing orders/direct debits and direct mail shots (CNM, 2009). However, the absence in Ireland of a standard accounting framework for charities hampers the disaggregation of charity income streams and prevents detailed analysis of fund-raising methods used. When state income is excluded, only about 20 percent of income comes from events, legacies, sales or corporate sources (2into3, 2010).

Dating back to the 1940s, Ireland has a long tradition of using lotteries to raise money for charitable purposes. Regulation of such lotteries is governed by the Gaming and Lotteries Act 1956. The Act requires, inter alia, that private lotteries for charitable or philanthropic purposes be licensed by the District Court,
Country: Ireland

and that the total value of prizes awarded on any occasion should not exceed €20,000; if more than one lottery is held in any one week, the total value of the prizes for the week cannot exceed €20,000. The low limit on prizes disadvantages charitable lotteries that compete with the National Lottery, which does not have the same prize cap. Established in 1987, the National Lottery is estimated to have a share of 98 percent of the lottery market in Ireland (ACLEU, 2013). To offset this inequity, the Department of Finance established the Charitable Lotteries Fund in 1997 to provide funds from the National Lottery surplus to supplement the income of the then existing private charitable lotteries. In 2012, the fund paid out €6 million to 19 qualifying charities with two-thirds going to one disability charity, REHAB (Department of Justice, Law Reform and Equality, 2012). This high cost to the Exchequer (national treasury) prompted the Minister of Justice to call for phasing out and abolishing the fund by 2016, an announcement that has resulted in a High Court challenge by REHAB to the proposed abolition (Irish Independent, 2012).

1.5.2.2 Major donors

Regaining independence from Britain in 1922, the Irish State is less than a century old with a not-so-uplifting economic history. Over the past 50 years, it has transformed itself from an inward-looking agriculture-dominated economy to a ‘high-tech, export-orientated, multi-cultural society,’ albeit one in which household wealth depends hugely on property value (Community Foundation for Ireland, 2010). The combined wealth of Ireland’s richest 250 people in 2013 was €49.83 billion, a cumulative increase of €3.1 billion on 2012 figures (The Sunday Times, 2013). Bloomberg and Boston Consulting Group have placed Ireland in the 14th place in a global list of countries with the most millionaires per capita, with 2.2 percent of Irish households ranking as ‘millionaire households,’ the highest ranking among European countries (BCG, 2012).

According to recent research by McKinsey and Company (2010), ‘some of the new ultra-wealthy Irish families are not engaging in philanthropy at a level that reflects their means.’ Revenue figures cited by McKinsey and Company reveal that the 400 top earners account for about 10 percent of the tax-deducted charitable giving, totaling €12 million. This percentage compares poorly with Germany, the United Kingdom and the United States, where the top income earners account for more than 30 percent of private donations (Mckinsey & Company, 2010). One possible explanation for this discrepancy lies in the fact that some large Irish donors are not tax-resident in Ireland, and thus their contributions are not reflected in revenue data; nevertheless, the untapped potential of major donors is a real issue requiring government attention (Forum on Philanthropy, 2012). Media and public perception of major donors is not always kind, with a common view being that these people are avoiding tax. Moreover, fiscal policy did not always encourage major donors to give in a tax-efficient manner. Under a restriction introduced in 2007, high earners were
limited to annual total tax relief of €250,000, or 50 percent of gross adjusted earnings, whichever was the greater. This cap was applied to the tax relief scheme on donations to charity, creating a disincentive to ‘give big’ by tax-resident major donors. The Finance Act 2013 replaces this restriction with an annual donation tax-relief limit of €1 million per individual.

There are relatively few grant-making trusts and foundations in Ireland compared to the rest of Europe (Breen, 2014). The two largest (Atlantic Philanthropies and One Foundation), which are backed by individual major donors, plan to spend down their endowments within less than five years. There remains, however, a noted scarcity of data in Ireland pertaining to major gift donations or ‘high impact’ philanthropy (CNM, 2007).

Irish corporate giving also lags far behind international benchmarks. In 2005, only 1.4 percent, or some €25 million, of Irish non-governmental organizations’ income stemmed from corporate donations; this amounts to less than 0.1 percent of pre-tax profits of the top 500 Irish companies. By comparison, all listed corporations in the United Kingdom donate on average 1.2 percent of pretax profits (McKinsey & Company, 2010).

1.5.2.3 The role of financial advisory professionals
A 2008 European study of the role of wealth advisors offering philanthropy services to high net worth individuals concluded that despite a long tradition of giving and a significant growth in high net worth (HNW) wealth in Ireland, the country is one of the least developed markets in Europe with regard to the range and depth of philanthropy advisory services offered to HNW clients (Scorpio Partnership, 2008). There was a consensus among Irish respondents to the survey that there was a gap in the Irish market for better philanthropy advisory services for HNW clients, with services typically provided in an ad hoc and one-off manner to existing clients. Although there was a dramatic increase in client demand for advisory services in Ireland (100 percent growth in client request volume between 2006 and 2008, in comparison to 63 percent for the rest of the European sample), Irish wealth advisors cited reputational risks as being the most important potential drawback to offering philanthropy services (Scorpio Partnership, 2008). The most commonly cited factors were the risk of reputational damage due to a lack of clarity in the charity sector and a lack of expertise on the part of advisors. Most notably in this regard, ten private client banks – identified by the researchers as having notable capabilities in the field of philanthropy – declined to participate on the grounds that they lacked sufficient expertise in the area of philanthropy to comment in a meaningful way.

1.6 Other relevant characteristics for Ireland
1.6.1 One island: Two jurisdictions
The island of Ireland is home to two legal jurisdictions: the Republic of Ireland, which is the focus of this chapter, and Northern Ireland, which forms part
of the United Kingdom. For charities operating on an all-island basis, this requires compliance with the requirements of two different common law charity regulatory regimes in accordance with the Charities Acts (Northern Ireland) 2008–2013 and the Irish Charities Act 2009. Until recently, the practicalities of dealing with two charity regimes would not have been extremely onerous since Northern Ireland, like Ireland, did not engage in active oversight of charities beyond fiscal oversight by HM Revenue and Customs.

However, this situation has changed in Northern Ireland with the establishment of the Charities Commission for Northern Ireland in 2009 under the 2008 Act. Additional change will come with the expected introduction of a register of charities in Northern Ireland. When the Irish Act is commenced, there will be two independent charity regulators operating under separate legislation, both applying different definitions for charitable purpose, different meanings of public benefit on the island, and possibly different accountability regimes (Breen, 2013). For charities operating on both sides of the border, this will make life administratively difficult and costly (Breen, Ford, & Morgan, 2009). The regulatory burden would be eased if there were to be coordination between the respective regulators on their approaches, yet to what extent such coordination will be attempted or achieved remains to be seen.

2. Explaining philanthropy in Ireland

2.1 Data and methods

This chapter employs data from the Irish Household Budget Survey (HBS) 2005 which is carried out every five years by the Irish Central Statistics Office. Households in the survey are required to maintain a highly detailed diary of expenditure (total household levels) over a two-week survey period and figures in the final dataset are weekly averages. In addition to expenditure items, very detailed data on income and household demographics and characteristics are collected. Although the main purpose of the HBS is to determine the expenditure patterns of Irish households in order to identify and update the Irish Consumer Price Index, its size, scope, representativeness and availability make it an ideal source of data for numerous applications. With 6,884 households from throughout the Republic of Ireland in 2005, the survey is currently the largest and most nationally representative survey of expenditure, including how much a household gives to charity.

Using a survey where the focus is unrelated to charity has both positives and negatives. Although the donation variables are more aggregated (compared to a pure charitable survey), there is less potential for bias in response: charitable expenditure is just one of over 600 separate expenditure items, and it is therefore less likely that households would overstate their level of giving (as
respondents of health surveys can understate their unhealthy consumption, such as alcohol and smoking).

There are three different types of charitable donations in the HBS: donations to churches, donations to schools and ‘other’ charitable donations. In Ireland, a proportion of charitable activity flows through organizations with religious affiliations. However, the church donations variable in the HBS only captures contributions toward general church upkeep (e.g., contributions for church dues, payments for candles and payments to priests for baptisms and weddings). Donations to charities with religious affiliations will fall under the ‘other’ category in the HBS. The final dependent variables used for analysis are Total Donations (sum of church, school and other), Religious Donations (church only) and Secular Donations (sum of school and other). There are limitations on the number of determinants available for modeling relative to other countries in this report. Information on type of religion or social trust is unfortunately unavailable. However, we do include a religious donation dummy variable in the secular models as a measure of religious involvement (this obviously assumes that those who give to religious organizations also attend religious services).

2.2 Descriptive results

Previous studies describe the Irish as a generous nation. Over the past five years, the World Giving Index (CAF, 2012), drawn primarily from Gallup's World View World Poll data, has ranked Ireland consistently in the top three in the global league of donors in terms of the percentage of people who donate money, volunteer time or help strangers. In 2011, Ireland ranked as the number one nation for giving of donations, with 79 percent of those surveyed donating money in the previous month (CAF, 2012). This figure was a 4 percent increase from 2010 figures notwithstanding the ongoing recession in Ireland (CAF, 2012). In terms of the percentage share of GDP represented by Irish charitable giving, a 2006 survey of 12 countries (CAF, 2006) estimated Irish giving as equivalent to 0.47 percent of GDP, placing Ireland ahead of the Netherlands (at 0.45 percent) but behind the United States (at 1.67 percent). The philanthropic tradition in Ireland tends more toward the spontaneous ad hoc nature of unplanned charitable giving with only an estimated 15 percent of donors engaged in continuous planned giving (Forum on Philanthropy, 2012). The lack of planned giving in Ireland is cultural with only 34 percent of people living in Ireland making a will. Of those making a will in 2012, three in ten respondents were likely to make a bequest to charity, representing a notable increase of 100 percent in this finding since 2006 (Amárach Research, 2012).

Table 12.3 presents the descriptive statistics of charitable donations in Ireland. All average weekly HBS figures have been scaled up to yearly for comparison with other country chapters. Furthermore, as with other chapters, the
Irish data has been converted into US dollars and inflated to 2012 price levels. As donations may not be regular weekly expenditure items (e.g., many secular donors have monthly direct debits to charities and therefore a 50 percent probability of being missed during the two-week survey period), the conditional averages (the average for donors only) are likely to be biased upward and are therefore not comparable to results from annual surveys in other countries. The unconditional averages (the average for all households), however, are an unbiased estimate of population yearly household averages.

The data shows that 61 percent of households made some type of donation during the two-week survey period, and the average level of donation across all households is $558. This figure accounts for 1.3 percent of annual household disposable income in 2005. Furthermore, it appears that religious giving is more common than secular (49 percent and 33 percent of donors, respectively). This is perhaps expected given that religious givers are more likely to donate on a weekly basis through church services. The irregular nature of secular giving relative to religious is also reflected in the differences between unconditional and conditional averages. For example, while the conditional average of secular giving is higher than religious ($735 versus $642), the unconditional averages show the opposite ($240 versus $318). This implies that secular donors give less often, but when they do, they donate more than religious donors. This higher average donation of secular donors does not, however, offset the low incidence of secular giving relative to religious giving; overall, religious organizations receive more than secular organizations in Ireland.

2.3 Explaining philanthropic giving in Ireland

2.3.1 Incidence of giving

The logit model is estimated in STATA (StataCorp, 2009) and the results are presented in Table 12.4. As the coefficients of the logit model have no direct economic meaning, the marginal effects and log odds are presented. For total giving, all the independent variables are significant and of the expected sign. At the outset, the reader should be aware that the spirit of this analysis is essentially descriptive: we wish to highlight significant correlations only, and our
Table 12.4  Logistic regression analysis of total, religious and secular giving in Ireland in 2005 (N = 6,884)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>dy/dx</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>dy/dx</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.220***</td>
<td>0.019</td>
<td>2.544</td>
<td>0.315***</td>
<td>0.020</td>
<td>3.733</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.351***</td>
<td>0.017</td>
<td>6.159</td>
<td>0.507***</td>
<td>0.018</td>
<td>10.810</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.035**</td>
<td>0.018</td>
<td>1.161</td>
<td>-0.008</td>
<td>0.019</td>
<td>0.970</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.052**</td>
<td>0.021</td>
<td>1.253</td>
<td>-0.028</td>
<td>0.022</td>
<td>0.894</td>
</tr>
<tr>
<td>Male</td>
<td>0.041***</td>
<td>0.014</td>
<td>1.193</td>
<td>0.052***</td>
<td>0.015</td>
<td>1.234</td>
</tr>
<tr>
<td>Married</td>
<td>0.038**</td>
<td>0.017</td>
<td>1.175</td>
<td>0.028</td>
<td>0.018</td>
<td>1.119</td>
</tr>
<tr>
<td>After tax income</td>
<td>0.014***</td>
<td>0.002</td>
<td>1.061</td>
<td>0.007***</td>
<td>0.002</td>
<td>1.030</td>
</tr>
<tr>
<td>Home owner</td>
<td>0.215***</td>
<td>0.019</td>
<td>2.428</td>
<td>0.265***</td>
<td>0.018</td>
<td>3.128</td>
</tr>
<tr>
<td>Religious donor</td>
<td>0.170***</td>
<td>0.013</td>
<td>2.233</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: dy/dx indicates marginal effect. Income is after tax and the unit of measurement is US$10,000 (at 2012 prices). Significance is given by *** (p ≤ 0.01); ** (p ≤ 0.05); * (p ≤ 0.10).
results should not therefore be interpreted as strictly causal. The descriptive statistics of the previous section demonstrated that the probability of donating is 61.49 percent on average across all households. This probability changes dramatically with age; compared to young households (under 35 years – the reference category), the middle-aged (35–65 years) are 22 percentage points more likely to donate while older households (over 65) are 35 percentage points more likely to donate.\textsuperscript{10} Home ownership (either outright or with a mortgage) is also a strong driver of charitable giving in Ireland; homeowners are 21 percentage points more likely to donate than households who rent. Furthermore, male heads of households and married couples are 4.1 and 3.8 percentage points more likely to donate (respectively and independently). Education is also as expected; compared to households with just primary education, households with secondary and tertiary education are 3.5 and 5.2 percentage points, respectively, more likely to donate. Finally, income is significant but not as important as other variables. The results show that a one unit increase in income – that is, adding $10,000 to the average income ($65,992 for 2005) – increases the probability of donating by just 1.4 percent.

There are dramatic differences between the types of households who donate to religious charities and the types that donate to secular charities. The strong effects of age observed above for total donations appear to be primarily driven by religious effects. For example, while older households (over 65 years) are 51 percentage points more likely to donate to religious charities, they are just 5.3 percentage points more likely to donate to secular charities (again, compared to the reference category, young households). Furthermore, it appears that education is the strongest driver of secular giving but has no significant effect on religious giving. However, giving to religious and secular organizations appears to be complementary; households who donated to religious organizations are almost 18 percentage points more likely to donate to secular ones also. Furthermore, while homeowners and males are more likely to donate to religious charities (26.5 and 5.2 percentage points more likely, respectively), this gender difference disappears (is not significant) for secular giving, and the effects of house ownership reduce to just 6.8. Finally, it appears that the effects of marriage and income on total giving are primarily driven by their secular effects – for religious giving, the marriage dummy is not significant and the marginal effects of income are almost halved (0.007 versus 0.013).

2.3.2 Amount donated

Table 12.5 presents the Tobit results and marginal effects (‘dy/dx’) for the amount donated (natural logarithm). As with the decision to donate, age is the dominant determinant of how much a household gives. For total giving, older households (over 65 years) give over four times more (320 percent more) than younger households (less than 35 years), and middle-aged (35–65 years)
Table 12.5  Tobit regression analyses of the natural log of the total amount donated in Ireland in 2005 (N = 6,884)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>dy/dx</td>
</tr>
<tr>
<td>Constant</td>
<td>−3.882***</td>
<td>0.297</td>
<td>−</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>2.594***</td>
<td>0.213</td>
<td>1.843</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>4.510***</td>
<td>0.248</td>
<td>3.205</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.399**</td>
<td>0.163</td>
<td>0.284</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.732***</td>
<td>0.190</td>
<td>0.521</td>
</tr>
<tr>
<td>Male</td>
<td>0.432***</td>
<td>0.136</td>
<td>0.307</td>
</tr>
<tr>
<td>Married</td>
<td>0.444***</td>
<td>0.164</td>
<td>0.315</td>
</tr>
<tr>
<td>After-tax income</td>
<td>0.131***</td>
<td>0.014</td>
<td>0.094</td>
</tr>
<tr>
<td>Home owner</td>
<td>2.549***</td>
<td>0.209</td>
<td>1.812</td>
</tr>
<tr>
<td>Religious donor</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
</tbody>
</table>

Notes: Income is after tax and the unit of measurement is US$10,000 (at 2012 prices); significance is given by *** (p ≤ .01); ** (p ≤ .05); * (p ≤ .10).
households give almost twice as much (184 percent). This age effect is again dominant for religious donations. For secular giving, age is still significant, but the magnitude of the effect reduces considerably; both middle-aged and older households give around twice as much.

Education, again, has very different effects on the type of giving. Overall (total donations), households with tertiary education give the most (52 percent more than primary) followed by those with secondary (28 percent more). This effect is not significant for religious donations but highly important for secular giving where households with tertiary education give around twice as much (112 percent) than primary while households with secondary give 66 percent more.

Males appear to be large givers to religious organizations; in 2005, they gave 32 percent more than females. However, this gender effect is not significant in secular giving. Furthermore, while marriage is an important determinant overall (total giving), it is much stronger for secular giving, where such households give 47 percent more than unmarried (reduces to 19 percent for religious).

Similar differences are also evident for income, where a US$10,000 increase in disposable income is associated with a 5.2 percent increase in donations to religious organizations and 7.5 percent increase to secular ones. Finally, the religious donations dummy in the secular model is significant and very strong. Households who give to their church give considerably more to secular charities also, and in 2005, they donated around twice as much as non-church givers.

3. Conclusion

Ireland has a strong reputation and culture as a charitable nation. Its history of famine has made it particularly sensitive to overseas development relief, a fact reflected in its 2012 OECD official development assistance (ODA) figures that ranked Ireland eighth out of 24 DAC nations (in terms of percentage of gross national income), despite ongoing budgetary constraints (OECD, 2013b). Its consistent global ranking among the top three nations for the percentage of donors giving money, volunteering time and helping strangers in the World Giving Index further evidences an intrinsic Irish culture of generous spirit (CAF, 2012).

This charitable culture is also apparent in the strong symbiotic relationship between the state and the charity sector in Ireland. Following a long history of religious and charitable involvement in areas such as health and education, the state remains heavily dependent on the sector for service delivery in a manner that goes beyond complementarity. The symbiosis also extends to charities’ growing reliance on state funding for core activities in a wide variety of areas. However, such strong dependence on state funding leaves
Irish nonprofits extremely vulnerable in times of economic recession. In recent years, the availability of state funding has dwindled dramatically. This trend, coupled with a small and shrinking philanthropic foundation base, may prove to be an inhibiting factor to philanthropic growth in Ireland.

The effect of the changes to tax incentives for charitable contributions, which are due to come into effect in 2013–2014, will also be watched with interest. On the one hand, increasing the number of cases in which tax relief bypasses the donor and goes directly to the charity may prompt affected donors (e.g., self-assessed taxpayers) to reduce the level of their donation to ensure a revenue neutral effect, thereby creating a chilling effect on charitable giving. On the other hand, the fiscal effect of the tax changes will very much depend on the make-up of the charity’s donor base. If primarily comprised of standard rate pay-as-you-earn taxpayers, the new blended tax relief rate of 31 percent will actually see the charity recover more money from Revenue than it would have done under the pre-2013 charitable contributions tax regime.

Factors with the potential to further stimulate philanthropy in Ireland include the promised and much awaited introduction of a modern regulatory framework for charities that would improve transparency and accountability. Recent changes to the tax laws to simplify the eligible donations scheme, along with the removal of the high earner’s cap on tax-efficient giving, may also help to stimulate greater philanthropy, particularly with the government’s 2013 launch of a national giving campaign based upon the recommendations of the Forum on Philanthropy. The One Percent Difference Campaign encourages everyone to give 1 percent of either their money or time to a cause they believe in. If successful, the campaign claims it could almost double giving levels in Ireland over the next three years (Philanthropy Ireland, 2013).

Our research shows that 61 percent of households made some type of donation during the two-week survey period, and the average level of donation across all households (donors and non-donors) is US$558 or 1.3 percent of disposable income in 2005. While religious giving is more common/regular than secular (49 percent and 33 percent of donated, respectively), the amounts donated by secular donors are higher. This higher average donation of secular donors does not, however, offset the low incidence of secular giving relative to religious giving: overall, religious organizations receive more than secular organizations in Ireland. In terms of probability to give and amount donated, age is a strong driving factor, particularly with regard to religious giving, with older households (65 years plus) giving almost five times more than young households (under 35). When we turn to secular giving, education proves to be the strongest driver, with graduates of tertiary education donating over twice as much than their primary education counterparts. However, this education effect is not evident for religious giving. Nevertheless, households who give to their church also give considerably more to secular charities. Finally,
while a US$10,000 increase in income increases the probability of donating by 1.4 percent and the amount of donation by 9 percent, home ownership (a proxy for wealth) proves to be a more important determinant, with home owners 21 percent more likely to donate than those who rent and giving almost three times more.

Thus, Irish philanthropy stands at a crossroads. Challenges lie ahead if the state is to achieve its professed goal of growing the rate of public philanthropy by 2016. Tangible losses loom with the forthcoming disappearance of Ireland’s charitable foundation sector and the as-yet-unknown effect of tax policy changes that will see self-assessed taxpayers lose direct tax relief on their eligible charitable donations. An intangible, but arguably more critical, threat to philanthropy lies in the continuing absence of a modern charity regulatory framework. Recent scandals concerning the wrongful use of charitable funds by an Irish health charity to top up salaries of senior staff members at a time when the charity was cutting services to beneficiaries have greatly undermined public trust and confidence in not just the affected charity (O’Brien, 2013) but the sector as a whole (Burke-Kennedy, 2013). The future of Irish philanthropy, so dependent upon public confidence and generosity, now hinges upon better regulation.

Notes

1. The Penal laws describe a series of laws introduced in Ireland from 1695 onward attempt to force Irish Catholics and Protestant dissenters (such as Presbyterians) to accept the reformed Christian faith as defined by the English state-established Anglican Church and practiced by members of the Irish state-established Church of Ireland. The laws, which were very restrictive and lasted into the 19th century, barred Catholics from voting, holding public office, serving in the army, owning land, receiving education or practicing their religion.

2. It is interesting to compare the Irish ratio of tax-exempt charities per capita to that of Northern Ireland, where for a population of 1.8 million people (UK Census figures, 2011), there are approximately 6,500 tax-exempt charities registered with HM Revenue and Customs. See http://www.charitycommissionni.org.uk/Our_regulatory_activity/List_of_deemed_charities.aspx (last accessed June 20, 2013).

3. Correspondence with CEO of Fundraising Ireland, Anne Hanniffy, April 17, 2013, on file with authors.

4. The survey took place between July 2004 and June 2005, but for ease of communication, we will refer to the survey as the ‘HBS 2005’ henceforth. All HBS data is sourced from the Central Statistics Office HBS Microdata File, © Government of Ireland. For further details, visit the Irish Social Science Data Archive at www.ucd.ie/issda/ (last accessed April 22, 2013).

5. The diaries are physically distributed by the HBS team to participating households and collected two weeks later. See, for example, the template diary in Central Statistics Office, Household Budget Survey 2010 – Volume 2 available at www.cso.ie/en/media/csoie/releasespublications/documents/housing/2010/full.pdf.
6. Household representativeness is ensured through the CSO weighting system that is included in the dataset.

7. For example, Trócaire is one of Ireland’s largest charities working in overseas development and was established by the Catholic Church, available at www.trocaire.org/whatwedo/who-we-are (last accessed April 22, 2013).

8. There are no missing values in the donations variables (or in other variables) – all zero observations can be assumed to represent non-donors during the two-week survey period.


10. The exchange rate used is €1 = US$1.3268 (average exchange rate between December 1, 2004 and January 31, 2005) and the price adjustment to convert the value of US dollars in 2005 to that of 2012 is 1.1606. Sources are www.oanda.com and www.bls.gov.com respectively.

11. To illustrate the marginal effects, the probability of donating to charity for the lowest age group is 0.487 (all other variables held constant at sample means). This increases to 0.707 for the middle aged. This difference is the marginal effect: an increase in the probability of donating of 0.22, or alternatively, as stated on the text – a 22 percentage point increase.

12. For example, 7.5 percent represents around a US$18 increase for secular donation (from US$239.80 to US$257.78).


References


StataCorp (2009). Stata Statistical Software: Release 11. College Station, TX: StataCorp LP.

13

Giving in the Netherlands: A Strong Welfare State with a Vibrant Nonprofit Sector

Pamala Wiepking and René Bekkers

1. The philanthropic landscape

1.1 History

The Netherlands has a rich philanthropic history, dating back to the late Middle ages (Prak, 1998). Before the modern welfare state, poor relief in the Netherlands was predominantly provided by the religious elites. As early as 1500, local clergy and noble men provided poor relief to those who lacked substantial means (Prak, 1998). The main motive for these elites to provide poor relief was to maintain order in the municipalities (De Swaan, 1988). However, the elites also received some private benefits by providing poor relief: they gained status, involvement in influential networks and salvation for their soul (Van Leeuwen, 1994). A famous example of Dutch private poor relief are the 'hofjes,' a privately funded courtyard with almshouses built around it. These almshouses provided social security in the form of housing for primarily older women, who had no other place to live (Looijenstein, 2011). Well into the 20th century, Dutch poor relief remained organized locally by religious institutions. During the first half of the 20th century, Dutch society was divided vertically along its four 'pillars' – Roman Catholic, Protestant, social democratic and liberal – to which all people belonged. All four pillars had their own political parties, broadcasting associations and nonprofit organizations, including educational institutions, hospitals, sport clubs and leisure organizations (Bax, 1988). The social distance between people from different pillars was large, and people from one pillar rarely interacted with people from another pillar.

In the early 20th century, the national government in the Netherlands laid the foundation for the current-day welfare state. It introduced several laws for social security arrangements, including arrangements for those who could no longer work because of an injury (1901), those who fell ill (1913, 1930), those of
older age (1919) and those in need of general assistance (1965) (Van Leeuwen, 1999). These laws slowly diminished the need for private poor relief organized by religious institutions and made welfare a responsibility of the state. These changes were by no means the end of philanthropy in the Netherlands. The existing religious charities remained active, but shifted their focus to groups in society that the state found difficult to reach, such as the homeless, the addicted and the mentally ill. The second half of the 20th century also saw a surge of new religious and secular philanthropic organizations, which focused their attention on public goods and services that were perceived to be outside the realm of core government tasks: for example, in the areas of human rights, international relief, culture, sports and recreation.

Also playing a special role in Dutch philanthropic history are the Maecenas, who provide funding for culture and arts. Since the Golden Age, the Maecenas have taken it upon themselves to support artists and cultural institutions to enable them to create and exhibit their work.

1.2 Size and scope of the nonprofit sector in the Netherlands

As of 2012, the Netherlands has about 55,000 nonprofit organizations that are registered with the tax authorities (Belastingdienst, 2012). The country also has a strong welfare state system, in which the government is responsible for the provision of most public goods and services. In terms of the nonprofit sector classification of Salamon and Anheier (1998), the relationship between the government and the nonprofit sector in the Netherlands can be classified by the social-democratic model. In line with this model, nonprofit organizations in the Netherlands are primarily active as ‘vehicles for the expression of political, social, or even recreational interests’ (Salamon & Anheier, 1998, p 229). The government is in control of the provision of typical public sector goods and services in the fields of health, education and social services.

The Netherlands has a high level of public social expenditures, which accounted for 20 percent of gross domestic product (GDP) in 2007 (OECD, 2012). Although there is a very large and vibrant nonprofit sector as illustrated by the 55,000 nonprofit organizations per 16.6 million inhabitants, the sector mainly plays a complementary role to the state.

1.3 Government policy in the nonprofit sector

1.3.1 Government subsidies

Given the high level of public spending, it is not surprising that the Global Civil Society Project by Salamon and Anheier shows that the nonprofit sector in the Netherlands relies heavily on income from the public sector, which provides 59 percent of nonprofit revenue (Burger, Dekker, Toepfer, Anheier, & Salamon, 1999). This reliance on public sector income is especially pronounced in the
areas of health care, education and social services, whose revenue relies 96 percent, 91 percent and 66 percent, respectively, on public sector income (Burger et al., 1999). The Dutch government also provides subsidies for many organizations active in the area of international relief, who use the funds to carry out their work abroad.

Since the introduction of the welfare state, there has been a large division between government and the nonprofit sector in the Netherlands. As the modern Dutch government assumed responsibility for providing most of the essential public goods and services, it typically perceived the role of the nonprofit sector as marginal and at best supplementary to the role of government. However, with the economic downturn of 2008, this perspective gradually changed. Economic deficits forced the government to tentatively seek for supplementary sources of funding for public goods and services. Thus, the government was forced to look at the nonprofit sector for additional resources. In 2011, the government and the nonprofit sector signed a covenant, in which they agreed to collaborate in the provision of public goods and services in the Netherlands. Most pronouncedly, the government seeks collaboration in the funding of the cultural sector – a sector viewed as providing non-essential public goods and services. Hence, the government sees the cultural sector as a ‘safe’ sector to give nonprofits greater control. Whether the Dutch government plans stronger collaboration in sectors providing essential welfare state goods and services, such as health care, education and social services, remains to be seen.

1.3.2 Fiscal incentives

The Netherlands is a country with a relatively high income tax level. The Dutch pay up to 52 percent of their household income in income taxes. The system is progressive: the marginal tax rate increases with income. The Dutch have two options for charitable gift deductions from income tax (Hemels, 2011). The first option is to deduct any gift (in the form of money and goods) to a nonprofit organization registered with the tax authorities from taxable income. This option is only possible when a household has donated beyond the threshold: either over €60 or a minimum of 1 percent of total taxable household income (whichever of the two is higher). The amount donated exceeding the threshold can be deducted from total taxable household income and is exempted from income tax. The maximum amount that can be deducted is 10 percent of the taxable household income. The tax authorities can request receipts or proof of money transfers.

As the Dutch tax system is progressive, this first option leads households with higher incomes to receive more benefits from charitable deductions. Figure 13.1 displays the different taxation levels of private income in the Netherlands in 2012. In the Netherlands, there is no capital gains tax. A fixed percentage
(4 percent) of an individual’s assets exceeding €20,785 is taxed at 30 percent (ITA, 2001).

The second option for charitable gift deductions from income tax is through the donation of periodical gifts. When a donor pledges in a notarial act to make a recurring donation to a nonprofit organization over the course of five years, the donor receives a full, unlimited deduction of the donation from income tax. This act is annulled when the donor becomes deceased.

Interestingly enough, not many people use either option to deduct gifts from their income tax. Less than 5 percent of the Dutch population deducted donations in 2005 (Bekkers & Mariani, 2009). The use of the charitable deduction increases with income and wealth. Information from the High Net Worth Study in the Giving in the Netherlands Panel Study (GINPS10_HNW, 2010) reveals that 38 percent of the households with a combined level of income and wealth over €60,000 deduct their charitable gifts (Boonstoppel & Wiepking, 2013). The reasons people indicate why they do not use this system is that either they do not donate enough to reach the threshold or they do not find it necessary to deduct their donations.
1.4 Regulation of the nonprofit sector

In the Netherlands, the Ministry of Justice is responsible for regulation of the nonprofit sector. There is a double system of regulation.¹ The first system of regulation functions through the Dutch tax authority. Donors may only deduct their gifts from taxable income when the nonprofit is registered as a Public Benefit Institution (Algemeen Nut Beoogende Instelling; ANBI). In order to register with the tax authority, no specific legal form is required, but the nonprofit organization needs to be independent from the funders. Also, the organization needs to pursue the public benefit almost exclusively, and the organization cannot be seeking to make a profit (Mariani, 2011).

The second system of regulation is a system of voluntary regulation. Nonprofit organizations can apply for an accreditation seal from the Central Bureau of Fundraising (Centraal Bureau Fondsenwerving; CBF), an independent monitoring organization. Organizations who apply for this seal are accredited based on accountability regulations regarding their board, monitoring principles, policy, fund-raising and reporting (Bekkers, 2003, 2010). The most well-known criterion is that organizations with a CBF accreditation seal are only allowed to spend 25 percent of the average proceeds from its own fund-raising over the past three years on fund-raising costs (CBF, 2012). While the accreditation seal is not a legal obligation, donors seem to prefer donating to accredited organizations (Bekkers, 2010).

1.5 Culture

1.5.1 Religion

Historically, the Netherlands is a heterogeneous religious country, in which Protestants dominated the part of the country situated north of the three big rivers (Waal, Rhine and Maas), and Catholics dominated the southern part of the country. The exception to this division is the so-called Bible belt, which connects a small strip of communities dominated by orthodox Reformed Protestants from the southwest to the northeast of the country. People belonging to this religious denomination are known to be very generous philanthropic donors (Bekkers, 2002). Figure 13.2 illustrates the Dutch Bible belt by graphically showing the percentage of voters for the Dutch Reformed Political Party, the political party affiliated with the Reformed denomination, per municipality in 2003.

However, the Netherlands is secularizing rapidly. While in 1960 only 18 percent of the population reported no religious affiliation, 44 percent of the population reported the same in 2009 (CBS, 2012). The remainder of the population that year was 28 percent Roman Catholic, 18 percent Protestant denomination and 5 percent Muslim (CBS, 2008, 2012). Furthermore, only
17 percent of the Dutch population attends religious services once a week or more (CBS, 2012). This religiously heterogeneous Netherlands has no State Church or National Church, nor does it have a State Church Tax.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

In the Netherlands, the Association for Fundraising Organizations (Vereniging voor Fondsenwervende Instellingen; VFI) represents the 120 largest fund-raising organizations, which typically employ a professional fund-raising staff. The average fund-raising costs of these largest organizations are 8 percent of total annual revenues, and the overhead costs are on average 4 percent. Altogether this 12 percent is well below the Central Bureau of Fundraising rule that fund-raising expenditures cannot exceed 25 percent of annual revenues (VFI, 2012a).

Typical solicitation methods employed by Dutch fund-raising organizations are direct mail letters, door-to-door solicitation and direct dialogue in busy shopping areas. When asked with which methods they were asked to donate
over the last two weeks, a representative sample of the Dutch population answered that they most frequently were asked through door-to-door collections, followed by direct mail letters and then charitable lottery solicitations. (Schuyt, Gouwenberg, & Bekkers, 2011). Although there have been campaigns to motivate people to leave a charitable bequest in their wills, only 3 percent of the Dutch does so. The main obstacle for charitable bequests appears to be the relatively low percentage of Dutch people with a will, a prerequisite for leaving a charitable bequest. Only 30 percent of the Dutch have registered a will (VFI, 2012b).

Recently, donor loyalty to charitable organizations has declined (Bekkers & Boonstoppel, 2011), and incidental or yearly recurring fund-raising events such as Alpe D’huez (a cycling event in France for the Dutch Cancer Foundation) and Serious Request (a national public radio event in major cities for the Dutch Red Cross) have been very successful. Online fund-raising, however, has not been developed successfully thus far.

1.5.2.2 Major donors

Until recently, limited attention has been paid to the role of major donors in the Netherlands. One reason is that there are very few major donors active in philanthropy. Furthermore, those who are active usually prefer to donate anonymously. Typically, the Dutch do not like to discuss issues of money and wealth, and often talking openly about one’s philanthropic engagements is perceived as bragging.

In a 2010 survey study questioning 1,474 High Net Worth (HNW) households, 95 percent indicated to have made any donation to a charitable organization in 2009 (GINPS10_HNW, 2010). This is comparable to regular Dutch households, of which 94 percent indicated to have made a donation. The HNW households donated on average US$2,000 a year, compared to an average donation of US$152 among regular Dutch households. Hence, the Dutch HNW households do donate more generously than regular households, but it is still a relatively small donation compared to their wealth. Over 90 percent of the HNW households do not give more than US$3,500 on a yearly basis, and only 2 percent indicates to have made donations of over US$18,000.

1.5.2.3 The role of financial advisory professionals

The Netherlands does not have a well-developed professional philanthropic advisory sector, at least not in comparison to countries such as the United States and the United Kingdom. Only very recently, financial institutions and wealth management professionals have shown interest in including philanthropic advisory in their portfolio of services offered to those with substantial financial means. This limited role of financial advisors in philanthropic giving could
explain why the wealthy are on average very modest donors (Boonstoppel & Wiepking, 2011). The wealthy thus only donate 13 times as much as the average Dutch person. Only 15 percent of wealthy households indicated to have spoken with a financial advisor about their philanthropic donations (own calculations GINPS10_HNW, 2010).

1.6 Other relevant characteristics for the Netherlands

1.6.1 National campaigns

The Netherlands does have a very professional culture of organizing national fund-raising campaigns, especially in relation to international natural disasters and tragedies. Initiated after the humanitarian disaster in the Horn of Africa in 1983, the Dutch Cooperative International Aid Organizations (Samenwerkende Hulporganisaties; SHO) was initiated as a long-term collaborative effort between international aid organizations of different signatures. Whenever a large natural or human-made disaster occurs, the SHO organizes a national campaign to support the victims. The most successful campaigns in the history of the SHO were the campaigns for victims of the Indian Ocean Tsunami in 2004 (raising US$317 million in private philanthropic donations) and for the victims of the Haiti earthquake in 2010 (raising US$106 million in private philanthropic donations).

1.6.2 Media scandals

Over the past ten years, philanthropic giving in the Netherlands has substantially changed. The Dutch public has become much more educated about philanthropy. This increased awareness was set in motion by a few scandals made public by the mass media, such as the level of nonprofit directors’ salaries and miscommunication about the use of donations. Consequently, people have become more distrusting of nonprofit organizations. While ten years ago donors were perfectly content when organizations told them to trust them, their attitudes have shifted slowly since the scandals, from ‘trust me’ to ‘tell me and show me’: tell and show me how you are spending my donation (Jacobs, 2006). The Dutch even invented a word for money that is not well spent by nonprofit organizations: ‘strijkstok,’ which is the Dutch word for the bow that violists use to play their instruments. People say that too much money sticks to the ‘strijkstok’ at nonprofit organizations, meaning the Dutch perceive that too much money is spent on directors’ (and other employees’) salaries and other ‘overhead costs.’ A survey study does show that people overestimate the amount nonprofit organizations spend on salaries and these ‘overhead costs’ enormously. While people believe nonprofits spend on average 25 percent on non-project-related costs, in reality this figure is 12 percent (Wiepking et al., 2007; VFI, 2012a).
2. Explaining philanthropy in the Netherlands

2.1 Data and measures

For the data on the Netherlands, we use the third wave of the Giving in the Netherlands Panel Study 2005 (GINPS05, 2006), conducted by the Center for Philanthropic Studies at the VU University in Amsterdam. The GINPS is a bi-annual longitudinal study on charitable giving and volunteering in the Netherlands, which started in 2001. Respondents for the first wave of GINPS (GINPS01, 2001) were randomly drawn from a pool of 72,000 respondents who regularly participate in survey research. The respondents in this large pool were included through a random sample drawn from population registers, and they were contacted through postal mail. Special attention was paid to avoid sample bias with regard to Internet use due to stratification based on age, gender and geographical region. Respondents without direct access to a computer were provided with one in exchange for participation in surveys.

In GINPS01, 1,964 respondents completed the questionnaire. For GINPS03, conducted in May 2004, 1,557 persons were requested to fill out a questionnaire on their households’ donating behavior in 2003. In both GINPS01 and GINPS03, 1,246 respondents participated. GINPS03 includes an additional sample of 70 new respondents. In total, 1,316 respondents (85 percent of 1,557) completed the GINPS03 questionnaire, using Computer-Assisted Self-Interviewing (CASI) procedures. For GINPS05, conducted in May 2006, 1,868 persons were questioned about their donating behavior in 2005 (of which 752 were new respondents). In total, 1,474 respondents (79 percent) completed the GINPS05 questionnaire, using CASI procedures. In GINPS01, an oversampling of 257 Protestants were included. In GINPS03, 168 of the respondents in this oversample were still included in the sample. In GINPS05, this number was reduced to 107. We have excluded the Protestant oversample from the analyses, resulting in a basis sample of 1,367 respondents in GINPS05, which is representative of the Dutch population after applying weights.

The dependent variable in the analyses is the natural log of the total amount of money that a household donated to charitable organizations in 2005. GINPS05 measures donations made to 11 charitable subsectors: Religion, Health, International Aid, Environment protection, Nature protection, Animal protection, Education/Research, Culture, Sports/Recreation, Public/Social Benefits and other causes. The questions on donations are asked using an adaptation of the ‘IU-Method-Area’-module (Rooney et al., 2001). First, respondents were questioned regarding which method they used to make a donation, for example, a collection tin or via a direct debit. Secondly, respondents were asked whether or not their households made a donation to each of the subsectors. Thirdly, the respondent was asked to state the exact amount of money given to each subsector in 2005. Out of all respondents, 13.5 percent
had no idea how much they donated to at least one charitable subsector, or did not want to say how much their household donated for at least one charitable subsector. We replaced this small proportion of missing donations with a conservative estimate of €2 per subsector, in line with Wiepking (2008).

2.2 Descriptive results

In 2005, Dutch households donated a total of US$2.8 billion, which is equivalent to 0.4 percent of the GDP (Schuyt, Gouwenberg, Meijer, Bekkers, & Wiepking, 2007). In GINPS05, 94 percent of the Dutch households indicated to have made at least one donation to nonprofit organizations in 2005. The average Dutch household donated US$338² (GINPS05, 2006). Table 13.1 displays the percentage of donors and level of donations made by Dutch households to different types of nonprofit organizations in 2010.

Dutch households donate most frequently to organizations active in the health sector (85 percent). Examples of these organizations are the Dutch Heart Association (Hartstichting) and the Dutch Cancer Fund (KWF Kankerbestrijding). These health organizations do not provide regular health care services or fund hospitals or other health institutions, as these are all funded by the Dutch state. The health organizations raise funds primarily to conduct research into diseases and to educate the public about these diseases. 59 percent of the Dutch households made a donation to organizations active in the international relief sector. Popular organizations in this sector are often Dutch chapters of large international organizations, such as UNICEF, OXFAM NOVIB, Save the Children and Plan. Fifty-four percent of the Dutch

| Table 13.1 Percentage donors and average amount donated among donors to different charitable sectors in the Netherlands in 2005 (N = 1,367; GINPS05, 2006) |
|---|---|
| Donors (%) | Conditional donation in US dollars |
| Health | 85 | 60 |
| International relief | 59 | 122 |
| Nature, environment and animals | 54 | 62 |
| Public and social benefits | 37 | 30 |
| Sports and recreation | 17 | 35 |
| Culture and arts | 13 | 45 |
| Education and research | 7 | 78 |
| Other causes | 4 | 206 |
| Total secular causes | 93 | 206 |
| Total religious causes | 37 | 394 |
| Total all causes | 94 | 359 |
households donated to organizations active in the fields of nature, environment and animal protection. These organizations include typical Dutch organizations such as Animal Protection (Dierenbescherming), Nature Monuments (Natuurmonumenten) and the Dutch chapter of World Wild Life. Donations to religious organizations include the collections during religious services and 40 percent of the Dutch households donated to religious organizations. Thirty-seven percent of the Dutch households indicated to have donated to public and social benefit causes, such as support for the elderly, disadvantaged and sick children. Less popular causes in the Netherlands are organizations active in the fields of sports and recreation, culture and arts and education and research. On the one hand, this finding can be explained by the fact that organizations in these sectors have long relied on government funding and subsidies for financial support. Therefore, these organizations do not need to seek philanthropic donations from the Dutch public for support. On the other hand, the Dutch public is also reluctant to give to these types of organizations, because many of them believe that the government is responsible for public goods and services in these sectors. However, the Dutch do have a strong tradition of giving to health organizations, even though health care is considered one of the key public goods and services that should be provided by government. This is because health organizations typically do not solicit money for hospitals and care facilities, but rather for research into diseases such as cancer and heart failure.

The Dutch households give on average the most money to religious organizations (US$394) and international relief organizations (US$122). Whenever they do give to ‘other’ types of organizations, such as directly giving to an orphanage in a developmental country, Dutch households give a rather high amount (US$206). The average donations to organizations active in the other nonprofit sectors range from US$78 to organizations active in education and research, to US$30 for public and social benefits organizations. Dutch households donated on average US$206 to secular causes.

2.3 Explaining philanthropic giving in the Netherlands

In this paragraph, we look at the relationships between characteristics known to influence philanthropic behavior and the likelihood and amount people give to all charitable organizations, religious organizations and secular organizations.

2.3.1 Incidence of giving

Table 13.2 displays the results of a logistic regression analysis of whether or not people give to any charitable cause (total giving), to religious causes and to secular causes. When interpreting the results for total giving, it is important to keep in mind that in the Netherlands no less than 94 percent of the people made a donation to a charitable organization over the course of 2005. Thus, it is not surprising that there is no difference in the probability to give for people
Table 13.2  Logistic regression analysis of total, religious and secular giving in the Netherlands in 2005 (N = 1,367; GINPS05, 2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>1.02*</td>
<td>0.44</td>
<td>2.77</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.40</td>
<td>0.29</td>
<td>1.50</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.19</td>
<td>0.42</td>
<td>1.21</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.48(+)</td>
<td>0.29</td>
<td>1.62</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.78*</td>
<td>0.36</td>
<td>2.17</td>
</tr>
<tr>
<td>Male</td>
<td>-0.44(+)</td>
<td>0.24</td>
<td>0.65</td>
</tr>
<tr>
<td>Married</td>
<td>0.20</td>
<td>0.28</td>
<td>1.22</td>
</tr>
<tr>
<td>After-tax household income²</td>
<td>-0.02</td>
<td>0.06</td>
<td>1.02</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.34</td>
<td>0.26</td>
<td>1.40</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.90**</td>
<td>0.35</td>
<td>2.46</td>
</tr>
<tr>
<td>Protestant</td>
<td>2.10*</td>
<td>1.02</td>
<td>8.14</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>1.74*</td>
<td>0.80</td>
<td>5.68</td>
</tr>
<tr>
<td>Religious attendance³</td>
<td>0.04</td>
<td>0.15</td>
<td>1.04</td>
</tr>
<tr>
<td>Generalized trust⁴</td>
<td>1.13*</td>
<td>0.51</td>
<td>3.11</td>
</tr>
</tbody>
</table>

Notes: ¹Secular giving comprises of giving to organizations in the fields of health, international relief, nature, environment and animals, public and social benefits, sports and recreation, culture and arts, education and research and ‘other’ causes; ²After-tax household income in US$/10,000; ³Religious service attendance in times a month; ⁴Scale 0–1; **p ≤ 0.01; *p ≤ 0.05; (+)p ≤ 0.10.
in different age categories. Those with higher education have a higher probability of giving. People who completed a secondary education have a 62 percent higher probability of making donations compared to those with only primary education or less. People who completed a tertiary education have a 117 percent higher probability of making a donation compared to people with only a primary education.

Furthermore, men in the Netherlands have a 35 percent lower probability of making a donation compared to women. Marriage, homeownership and after-tax household income do not influence the probability to give. Religious affiliation, however, does influence the inclination to give. Compared to Dutch people who are not religiously affiliated, Roman Catholics have a 146 percent higher probability of giving, Protestants have a 714 percent higher probability and people who belong to one of the smaller Christian denominations have a 468 percent higher probability. Attending religious services more frequently does not influence the probability of giving, because most people who attend religious services already are donors. Finally, the level with which people trust other people (generalized trust) positively relates to their giving. People who completely trust generalized others have a 211 percent higher probability of giving compared to people who completely distrust other people.

The results for incidence of religious giving largely resemble the results for total giving. However, in contrast with the results for total giving, no differences in probability of religious giving exist with regard to both gender and level of generalized trust. Whereas there was no significant relationship between total giving and both marriage and religious attendance, we find that the likelihood of making religious donations is higher for those who are married and who attend religious services more often.

The results for incidence of secular giving also largely resemble the results for total giving. The only differences are that people between the age of 35 and 65 have a higher probability of making secular donations than those under 35 years of age, and those with another religious affiliation do not have a lower probability of making secular donations than those not religiously affiliated.

2.3.2 Amount donated

Table 13.3 displays the results from a Tobit regression analyses of the natural log of the total amount people gave to any charitable cause, to religious charitable causes and to secular charitable causes in 2005. For total giving, the results show that age matters for the level of total philanthropic donations. In comparison to Dutch people under 35 years of age, people who are between 35 and 65 years of age are predicted to donate 41 percent more money, and people who are over 65 years of age are predicted to donate 85 percent more money. A higher education also matters; in comparison to people with only a primary
Table 13.3  Tobit regression analyses of the natural log of the total amount donated in the Netherlands in 2005 (N = 1,367; GINPS05, 2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving¹</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marginal effect</td>
<td>S.E.</td>
<td>Marginal effect</td>
<td>S.E.</td>
<td>Marginal effect</td>
<td>S.E.</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.41**</td>
<td>0.12</td>
<td>0.13</td>
<td>0.13</td>
<td>0.47**</td>
<td>0.12</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.85**</td>
<td>0.17</td>
<td>0.51**</td>
<td>0.16</td>
<td>0.77**</td>
<td>0.17</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.39**</td>
<td>0.12</td>
<td>0.33**</td>
<td>0.12</td>
<td>0.37**</td>
<td>0.12</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.83**</td>
<td>0.14</td>
<td>0.53**</td>
<td>0.14</td>
<td>0.89**</td>
<td>0.14</td>
</tr>
<tr>
<td>Male</td>
<td>–0.21*</td>
<td>0.10</td>
<td>–0.04</td>
<td>0.09</td>
<td>–0.25**</td>
<td>0.10</td>
</tr>
<tr>
<td>Married</td>
<td>–0.02</td>
<td>0.11</td>
<td>0.29*</td>
<td>0.11</td>
<td>–0.14</td>
<td>0.11</td>
</tr>
<tr>
<td>After-tax household income²</td>
<td>0.05*</td>
<td>0.02</td>
<td>0.00</td>
<td>0.02</td>
<td>0.06*</td>
<td>0.02</td>
</tr>
<tr>
<td>Home</td>
<td>0.45**</td>
<td>0.11</td>
<td>1.66</td>
<td>0.11</td>
<td>0.39**</td>
<td>0.11</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.33**</td>
<td>0.12</td>
<td>1.78**</td>
<td>0.12</td>
<td>0.02</td>
<td>0.12</td>
</tr>
<tr>
<td>Protestant</td>
<td>1.87**</td>
<td>0.18</td>
<td>3.37**</td>
<td>0.15</td>
<td>0.77**</td>
<td>0.18</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.94**</td>
<td>0.19</td>
<td>2.28**</td>
<td>0.17</td>
<td>0.24</td>
<td>0.19</td>
</tr>
<tr>
<td>Religious attendance³</td>
<td>0.24**</td>
<td>0.04</td>
<td>0.22**</td>
<td>0.03</td>
<td>0.12**</td>
<td>0.03</td>
</tr>
<tr>
<td>Generalized trust⁴</td>
<td>0.63**</td>
<td>0.22</td>
<td>0.02</td>
<td>0.21</td>
<td>0.63**</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Notes: ¹Secular giving comprises of giving to organizations in the fields of health, international relief, nature, environment and animals, public and social benefits, sports and recreation, culture and arts, education and research and ‘other’ causes; ²After-tax household income in US$/10,000; ³Religious service attendance in times a month; ⁴Scale 0–1; **p ≤ 0.01; *p ≤ 0.05; (+) p ≤ 0.10.
education or less, people who completed a secondary education are predicted to give 39 percent more, and people who completed a tertiary degree are predicted to give 83 percent more.

Men not only have a lower probability of making donations in the Netherlands but also donate lower amounts. Men are predicted to give 21 percent less than women. Marriage does not affect the level of philanthropic donations, but after-tax household income does. People who earn 10,000 more US dollars on a yearly basis are predicted to give 5 percent more money to philanthropic organizations. Homeownership relates positively to the amount people give. Being a homeowner corresponds to a 45 percent higher predicted giving. Both religious affiliation and religious attendance positively relate to the level of philanthropic giving. Compared to Dutch people who are not religiously affiliated, Roman Catholics give 33 percent more, people Protestants give 187 percent more and people who belong to one of the smaller Christian denominations give 94 percent more. Additionally, attending religious services once or more a month relates to 24 percent higher level of giving. Finally, people who completely trust generalized others are predicted to give no less than 63 percent more money to philanthropic organizations than people who completely distrust other people.

In contrast with total giving, we find no differences in the amounts donated to religious organizations between people under 35 years of age and those between 35 and 65 years of age. We also find no differences in the amounts donated to religious organizations for gender, income, homeownership and generalized trust. Furthermore, being married relates to 29 percent higher religious giving, whereas we found no relationship between marriage and total giving.

The results for amount donated to secular organizations strongly resemble the results for total giving, with the exception of those who belong to the Roman Catholic Church and another religious affiliation. We find no difference in amount donated to secular causes between these groups and those not religiously affiliated.

3. Conclusion

The Netherlands has a rich philanthropic history. However, since the introduction of the welfare state during the first half of the 20th century, the Dutch government took over responsibility for the provision of most public goods and services. In 2007, the Dutch government spent 20 percent of GDP on public social expenditures. Despite the strong state involvement in the production of public goods and services, philanthropy still thrives in the Netherlands: at least 55,000 nonprofits exist within a Dutch population of 16.6 million.

This large and vibrant nonprofit sector, along with the presence of a small but very generous Protestant (Reformed) population, stimulates philanthropic
giving in the Netherlands. However, two main factors potentially inhibit Dutch philanthropic giving in comparison to giving in other countries. First, the high level of public spending on the nonprofit sector has created a strong ‘subsidy-dependence’ among nonprofit organizations in the Netherlands. Until the economic crisis of 2008, nonprofit organizations often had no need to find other sources of funding than the government-provided resources. Since 2008, however, the need for nonprofits to acquire income from fees and donations has increased, and it remains to be seen whether all organizations are equipped to deal with this rather sudden shift in funding sources. Second, philanthropic giving is inhibited in the Netherlands due to its charitable deduction system. The threshold of 1 percent of total taxable household income (or €60, whichever of the two is higher) limits the number of households who use this stimulating measure, which in 2005 was only 5 percent of the Dutch population. Additionally, although the option of periodical gift deductions is a very generous measure, it is perceived as complex and very few people know about this opportunity at all.

Nonprofit organizations in the Netherlands serve a mainly complementary role to the state, which is reflected in the donation behavior of the Dutch. People in the Netherlands typically donate to nonprofit organizations active in fields that are not considered core state responsibilities, such as education, public health and public and social benefits. Over the course of 2005, 94 percent of the Dutch donated to one or more charitable organizations, donating on average US$338. Higher educated, female and religiously affiliated Dutch people are all more likely to make a donation. Higher donations in the Netherlands are made by those who are older, have a higher education, have a higher income, own their home, are religiously affiliated (especially Protestants), attend religious services more often, have more trust in people and are women. In light of the recent economic crisis and increased need of nonprofit organizations to shift from public to private funding sources, nonprofits in the Netherlands can use these findings to better target their fund-raising efforts in the future.

Notes

1. In 2014, an independent advisory panel has recommended the creation of a new regulatory authority for fund-raising charities.
2. This average donation relates to the unconditional donation, the average amount both non-donor and donor households donated.
3. We use a Tobit regression because donation data is left-censored: People cannot give less than zero dollars. The results of a Tobit regression can be interpreted in a similar manner as OLS regression analyses, with the exception that the linear effect is predicted on the uncensored latent dependent variable, and not on the actual observed outcome. See for more information (Long, 1997; UCLA Academic Technology Services, 2012).
References


Giving in Norway: An Ambitious Welfare State with a Self-Reliant Nonprofit Sector

Karl Henrik Sivesind

1. The philanthropic landscape

1.1 History

Norway has a weak philanthropic tradition due to small social, cultural and economic differences within the population. After being subject to Danish rule for 400 years, Norway became independent in 1814, reorganizing under its own constitution. Few feudal structures remained, and the nobility was abolished. The civil servants appointed by the Danish king formed an enclave of immigrants, and the upper-middle class was small and not very self-confident. The fishermen and peasants were rather poor, yet they enjoyed more freedom and equality than elsewhere in Europe, even before the labor movement started pushing for greater equality. This had resulted in a common set of values for the upper and lower classes. In the local communities, people reinforced mutual normative control, forcing everybody to work. Not working was criminalized and begging was only allowed for certain groups such as disabled and pupils. Resources were scarce, and it was almost impossible to survive the harsh climate without being part of a household that produced heat and food. As Henrik Stenius (2010, p. 41) writes, ‘Wealth was limited and those who had more of it were led to think that giving away donations was not necessarily a good deed. Much better was to try to force everybody to do their duty (i.e., work).’ Thus, private charity was very uncommon, and resources for helping the deserving poor were gathered and distributed mainly by the local church. While the Nordic countries had some examples of hospitals and charitable women’s societies, such philanthropic practices sprang out of an urban culture that was very marginal in Norway since a major part of the population was scattered along the coast and in rural areas. Most Norwegians considered it impossible to run large institutions in the fields of welfare, culture or education through philanthropy (Stenius, 2010).
A ‘Scandinavian model’ of welfare provision, with a relatively strong element of citizenship rights and state responsibility for welfare, was introduced as an idea in the nation’s politics even before the turn of the 20th century (Kuhnle, 1981) – long before the Labor movement came to power. The popular movements emerged in the early 19th century, mobilizing people around religion, temperance, the new Norwegian language, labor issues, enlightenment, sports and shooting, as well as help for blind and deaf people. Since then, voluntary organizations have pioneered the provision of welfare services. However, as welfare needs were uncovered and defined, it gradually became clear that the voluntary sector lacked the necessary capacity and resources to meet these needs. Thus, the state became accepted as the only source of funding capable of meeting welfare needs (Kuhnle, 1983; Kuhnle & Selle, 1990). Nevertheless, some (limited) space exists for voluntary organizations to provide welfare services in collaboration with the public sector. As such, voluntary and public sector welfare provision have grown simultaneously.

While welfare provision grew, donations remained scarce as strong sentiments against philanthropy evolved. First, the labor movement considered philanthropy as a concealment of underlying social problems or as a cover operation for rich to help the rich. Later, organizations for sick and disabled people argued that nobody should have to rely on other people’s generosity to pay for his/her basic needs. State guarantee to meet these needs was a matter of dignity and basic human rights. Therefore, policymakers did little to promote private donations by tax deductions or institutional changes. Philanthropy has rather been regarded as a largely unnecessary and outmoded concept, except for serving certain fields perceived as outside the public sector’s core responsibility, such as missions, religious congregations, help to the homeless and substance abusers and foreign development and disaster aid.

In the early 20th century, the popular movements grew strong by activating broad segments of the population in membership activities and volunteering. In relatively poor but equal local communities, many people could give a little of their time even if they were short of money. This practice appealed to people’s sense of work duty. An institution of ‘dugnad,’ or voluntary community effort, had existed since the middle ages. People were expected to contribute a certain minimum of work to common responsibilities, such as mutually assisting neighbors or building common goods as churches, roads and community houses. ‘Dugnad’ also applied to voluntary organizations, which came to be considered a crucial part of this common responsibility. In the 1960s, during the most expansive phase of welfare state development, popular movements played an important role in policymaking and service delivery. Rather than expressing distinct values and being pressure groups in conflict with government, they represented a force in the ideological and organizational transformation toward increased public responsibility,
even in welfare fields in which they had been pioneers and institution builders.

Through the emergence of an affluent welfare society and secularization, the Norwegian voluntary sector became increasingly dominated by culture and leisure activities. The norms of volunteering proved to be surprisingly resilient to modernization; since the 1980s, culture, sports and recreation have accrued the majority of volunteering hours within the voluntary sector. An important reason for this is that participants and parents of participants consider these organizations as their responsibility, and funding from the state, the municipality and gaming income does not change this notion. To a large extent, volunteering is used to generate cash income through flea markets, coffee and hot dog sales, as well as to arrange sports and culture events and festivals. Traditionally, local and national lotteries have also been an important source of income for the voluntary organizations, and gaming automats generated rapidly growing revenues for a few years before the ban in 2007.

Although voluntary associations may operate lotteries under an exemption from the general ban on gaming in Norway, competition from the state-owned games company Norsk Tipping has made such lotteries a less profitable source of income than they used to be (Gulbrandsen, 2012). Many Norwegians are members of several associations, and in most of them they do not take an active part. The fee can thus be viewed as a kind of monetary and moral support for the organization. The share of income from donations for the voluntary organizations matches Western European averages (Sivesind & Selle, 2010).

Similar to the other Nordic countries, Norwegian social security focuses on self-help through work and public welfare rather than philanthropy, as donations would not amount to much income. Volunteering, on the other hand, has been used extensively by national voluntary associations. Moreover, social democratic policies have not supported philanthropy, based on the assumption that the result would be disguised rather than reduced social inequality. This means that Norway would grow to be a very rich but not very generous society, as it would appear from the level of monetary donations. However, volunteering and non-market transactions are much more important sources of income for the voluntary organizations.

1.2 Size and scope of the nonprofit sector in Norway

As of 2012, there are about 28,000 organizations registered in the Register of Non-Profit Organizations (The Brønnøysund Register Centre, 2012). The number continues to grow since the establishment of the register in 2009. A national survey of local associations estimated a total of 81,000 in 2009, not including housing cooperatives, local community associations and grant-making foundations. Seen in relation to a Norwegian population of five million people, this total means that there is an average of only 62 persons in all ages per
association. However, a large share of these associations is very small. In 2009, more than half of them had operating expenditures below US$8,500 (NOK 50,000) (Sivesind, 2012). Other signs of a substantial nonprofit sector are that 48 percent of the adult population volunteer for one or more voluntary organizations during a 12-month period (Wollebæk & Sivesind, 2010), and that the Nordic countries, alongside the Netherlands, rank highest whether organizational affiliation is measured by membership or active participation (Wollebæk & Selle, 2008).

Norway is classified as belonging to the social democratic model in Salamon and Anheier’s model (Salamon & Anheier, 1998; Salamon, Sokolowski, & Associates, 2004; Anheier & Salamon, 2006). As in the other Nordic countries, the public welfare costs are extensive. Social expenditures accounted for 22 percent of gross domestic product (GDP) in 2012 (OECD, 2012). The nonprofit organizations’ share of paid employment in the welfare field is just 7 percent (Sivesind & Selle, 2009, pp. 114–116), compared to 13 percent in Denmark and 20–25 percent in corporatist countries such as France, Austria and Germany. There are also high levels of volunteering in expressive organizations and low levels in welfare services (Sivesind & Selle, 2009, 2010). All these characteristics are consistent with the social democratic model.

However, Salamon and Anheier also expect that since the nonprofit sector was rejected as a mechanism for meeting welfare needs and thus the public sector both pays for and performs services, ‘the voluntary sector would be financed more heavily by charitable contributions’ (1998, p. 230). Careful comparative analysis does not support this prediction. The share of voluntary sector income from gifts is 7.5 percent, which comparatively is in the mid-range of 15 Western European and liberal countries (including the United Kingdom, USA and Australia). Furthermore, when focusing specifically on the welfare field, the share of income from gifts falls to among the lowest with 3 percent (Sivesind & Selle, 2009, 2010), which is even more contrary to Anheier and Salamon’s expectations.

In a later article, Anheier and Salamon admit this is an anomaly, but claim, ‘However, once the value of volunteer time is considered, the prediction holds for social democratic countries as well’ (2006, p. 108). Still, there is a problem with this rescue claim. Only 15 percent of the volunteering hours in Norway are for organizations operating within the welfare field. In addition, most of this volunteering takes place in support, advocacy and member-based activities and does not contribute to funding or performing welfare services.

Instead, government transfers and payments are the main source of income, in addition to user charges in some areas. The voluntary organizations typically do not want to subsidize the government’s operation with money generated through donations or volunteering. Those kind of resources are reserved for areas where the voluntary organizations do not operate on government
contracts, such as help to the homeless and substance abusers outside of institutionalized care. Donations may go to medical research but not to hospital treatment. Donations and volunteering are thus not important alternatives to public funding of welfare services in Norway, contrary to what one would expect from the social democratic model of Salamon and Anheier. However, volunteering still remains highly significant as a labor resource and as a factor in income-generating activities, particularly in sports, culture and recreation.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

Despite a high level of public welfare spending, the nonprofit sector in Norway does not rely heavily on income from the public sector. Only 36 percent of the income comes from transfers and payment from the public sector, 7.5 percent from gifts and 56.5 percent from sales, fees and charges (Sivesind, 2007; Sivesind & Selle, 2010). Important reasons for this are that a small share of the nonprofit sector performs welfare services that are commonly paid for by the government; additionally, member-based organizations, particularly at the local level, generate a high share of income through their own activities, in which volunteering is a highly significant input (Sivesind, 2012). In the welfare field, the income from the government accounts for more than 60 percent. In housing and labor organizations, fees and charges dominate, while society-oriented organizations and culture and recreation organizations get more than one-third from the government and 50–60 percent from sales, fees and charges. Religion is the only field where private donations are a significant source, representing about one-third of the income (Sivesind, 2007). International activities also get significant amounts in private donations, but even larger payments come from the state to development aid and disaster relief, since the NGOs are a main public policy instrument in this field (Rattsøutvalget, 2006).

In October 2012, the government signed a compact with voluntary organizations that provide health and social services, as inspired by similar agreements made in the United Kingdom, Denmark and Sweden. The compact’s goal is to establish shared principles and guidelines for effective and high-quality services and dialogue, while securing predictability, autonomy and distinctiveness for the voluntary organizations. The background for this compact is the increased use of quasi-markets to allocate contracts and regulate welfare service provision. In this process, a number of voluntary service providers have lost their government contracts, and institutions have been forced to be close down. Many have feared that the voluntary sector’s welfare services will decrease as a result; however, employment data shows that nonprofit organizations have been able to retain a share of about 7–8 percent of the rapidly growing welfare employment in the period 1997–2010 (Sivesind, 2013).
In other areas of the voluntary sector, direct support from the public sector represents a smaller share of the total income. However, there is a significant indirect public support for sports and cultural activities, in particular through funding of sports facilities, local and regional culture houses and meeting places. Surplus income from the state-owned gaming company Norsk Tipping is also used for supporting such purposes, in addition to its general support for voluntary activities following quotas set by the Parliament. The share for sports will be gradually increased from 45.5 and reach 64 percent in 2015, culture's share is decreasing from 36.5 to 18 percent, while social and humanitarian organizations will still get 18 percent. This support is partly distributed by the government and partly channeled through voluntary umbrella organizations that distribute support for local activities, that is, the Norwegian Confederation of Sports and three voluntary umbrella organizations in the fields of music, amateur theatre and children and youth organizations. The gamers may also decide which local voluntary association should get 5 percent of their stakes, the so-called grass root share. In addition to revenue from gaming, the state and the municipalities give economic support to certain types of voluntary organizations, in particular youth and children’s organizations and religious societies, based on predefined criteria, such as the number of members, geographic coverage and the organization’s statutes and main purpose. There are also support arrangements targeting political parties, advocacy organizations for disabled people and elderly, environmental organizations and immigrant organizations (Lorentzen, 2010). In other words, support for voluntary associations is distributed directly by the government or through the voluntary sectors' own umbrella organizations.

1.3.2 Fiscal incentives

Norway has shifted the tax burden from direct to indirect taxes. The highest level of marginal income tax is still quite high at 48 percent, including personal but not employer's social security contributions. However, the tax system is progressive, so the average tax level for an average wage (NOK 480,000) is just about 30 percent. Norway has an ambitious welfare state, but due to the huge oil sector, public social expenditures accounts for just 22 percent of GDP, which is much less than in the other Scandinavian countries.

The sum of income-tax deductible donations from individuals to voluntary associations has been US$2,200 (NOK 12,000) since 2005. The smallest deductible amount is 500 a year to each organization. The list of Norwegian organizations that qualify for deductible donations has gradually extended to 498 organizations in 2013, and includes a broad spectrum of activities – from culture and recreation to environment, religion, peace and human rights, development and disaster aid, as well as general social and welfare associations. The donated amount must be reported by the organization to the tax authorities,
so only registered gifts can be deducted. In 2011, the average deducted amount was NOK 3,700, and 564,000 taxpayers (Statistisk sentralbyrå, 2013b) or 22 percent of employed persons used the opportunity to deduct gifts. This means that many people use the system even though the deductible amount is quite moderate. One reason for this is that an increasing number of people give gifts regularly, which is easy for the organizations to register and report to the tax authorities.

1.4 Regulation of the nonprofit sector

In Norway, the Ministry of Culture has the responsibility of coordinating the policy for the voluntary sector. However, organizations providing welfare services, international organizations and immigrant and environmental organizations have more contact with the ministries responsible for their respective fields of operation. The Register of Non-Profit Organizations, established in 2009, is intended to simplify the interaction between voluntary associations and public authorities by providing systematic statistics and policy-relevant research and information; in doing so, it aims to strengthen the legitimacy of voluntary activity. Only voluntary associations, non-commercial foundations and limited liability companies that only distribute funds to nonprofit activities are eligible for registration. While registration is optional, the number of registered organizations is steadily increasing as registration is a requirement for receiving the grass root share from Norsk Tipping, value added tax (VAT) compensation and other benefits.

Furthermore, there is a central register for foundations in connection with the Norwegian Gaming and Foundation Authority, which checks if activities are in line with the Foundation Legislation Act. All foundations in Norway have to be registered. The Norwegian Gaming and Foundation Authority also supervise and control all private and state-operated lotteries.

Voluntary associations must apply for an exemption from the general ban on gaming to arrange lotteries and bingo and submit accounts to the gaming authority.

In addition, there is a register for fund-raising organizations operated by a private foundation called the Fundraising Control (Innsamlingskontrollen) established by the fund-raising organizations themselves. It maintains a register that is prescribed by the Law of Registration of Fundraising.

Voluntary associations do not have to pay VAT on many important types of income, including membership fees, sale of organizational effects, lotteries, gifts, flea markets, irregular advertisements, as well as cafe, kiosk and food sales in connection with the organization’s arrangements. These types of income are considered by the tax authorities as non-commercial income. Nonprofit organizations also have somewhat higher basic amounts exempted from VAT, employer’s tax and income tax than business enterprises. The law recognizes
nonprofit organizations as business enterprises with very limited modifications in certain areas of taxation.

In 2001, VAT on services was introduced in Norway and the Parliament granted voluntary associations a right to full compensation. In 2010, the compensation was extended to include all types of VAT, but the amount allocated by the government only covered 49 percent of the VAT in 2012. The plan is to gradually increase the amount until it covers full compensation for all VAT.

The multitude of registers, laws, exemptions and support arrangements defines different partly overlapping target groups; thus, where a ‘foundation’ is defined by law, a ‘nonprofit’ or ‘voluntary organization’ is not a distinct legal category in Norway.

1.5 Culture

1.5.1 Religion

Historically, Norway has had a very homogeneous religious composition, with the exception of the indigenous Sami population. Reformation initiated by the King of Denmark (which included Norway and Iceland) in 1536, and not through a bottom-up struggle, in effect prevented the society from being split into religious subcultures and from developing a notion of opposition (Stenius, 2010). The reformation occurred after a short period of conflict between the King and the bishops, fighting more about power than about faith. The King saw an opportunity to confiscate most of the Church property in the process of reformation, thereby limiting the Church’s philanthropic capacity.

Surveys on religion conducted in 1991, 1998 and 2008 show that the share that believes in God without doubt has decreased from 20 to 15 percent, and the share that goes to Church monthly (except for funerals, weddings and baptism ceremonies) has decreased from 11 to 7 percent (Botvar, 2010). This drop is not compensated by private and less institutionalized new-religiosity. Such a decline in religious faith and activities thus can be considered a clear sign of secularization. This trend also affects voluntary organizations. Between 1997 and 2009, the hours of volunteering for religious and life stance organizations dropped by 45 percent. This drop would have been even sharper if not for the increase in the immigrant population, of which 12 percent volunteered for religious organizations in comparison to only 5 percent of the majority population doing the same. Nevertheless, in 2010, there were 3.8 million members of the Church of Norway (baptized children are automatically members), 245,000 members of other Christian congregations of which 67,000 were Catholics, 99,000 members of Islamic societies, 82,000 members of the Norwegian Humanist Association and 24,000 members of other religious and life stance communities (Statistisk sentralbyrå, 2013a). The Church of Norway is still a state church, but in 2012 the Parliament began the process of amending
the constitution in order to grant the Church increased autonomy. All religious and life stance communities in Norway get public support according to their number of members.

1.5.2 Professionalism of fund-raising
1.5.2.1 Organization of fund-raising
The Norwegian Fundraising Association (Norges Innsamlingsråd) is member of the European Fundraising Association and represents 55 of the major social, humanitarian and cultural fund-raising organizations. It is an interest and professional development organization. The Fundraising Control (Innsamlingskontrollen), on the other hand, is a member of the International Committee of Fundraising Organizations. It maintains the fund-raising register currently with 103 organizations and campaigns and audits their annual activity accounts, which show the percentage of the money that reaches its intended purpose. A requirement for approval is that at least 65 percent of the money over a three-year period is spent on the organization’s goals. The main purpose is to guard the interests of the general public.

Typical solicitation methods in Norway are direct mail letters, telemarketing and lotteries. Door-to-door solicitation and direct dialogue in the streets is mainly used in limited campaigns. Online fund-raising so far has been the most successful for smaller campaigns with a narrow target. Meanwhile, money raised by regular donations and personal sponsorships has strongly increased, accounting for 15 percent of the income of major Norwegian fund-raising organizations in 2011. Other donations accounted for 12 percent of income, whereas personal bequests were 3 percent (Deloitte, 2012). The Norwegian Cancer Society and the Salvation Army traditionally receive the most from bequests, but other organizations try to simplify including themselves in wills.

1.5.2.2 Major donors
In Norway large, private donations are quite unusual, and they often take place in anonymity. However, some recent incidents have been leaked to the press, such as some of the richest men in Norway contributing to the giving of equipment at the Norwegian Radium Hospital at some occasions. The business man Trond Mohn is one of the best-known philanthropists. He established Bergen Research Foundation in 2004 through a donation of US$43 million (NOK 250 million), supporting medical research at Bergen University. He gave the University of Tromsø US$17 million (NOK 100 million), and he supports several local sports clubs. Another famous philanthropist is the real-estate investor and art collector Christian Ringnes, who in 2012 donated US$51 million (NOK 300 million) to the municipality of Oslo to establish a public park where his sculpture collection is exhibited.
There is a strong tradition for giving time through volunteering in Norway, but not for giving money. However, the latter may be changing. In a survey in 2009, 75 percent indicated that their households had donated to voluntary organizations during the last 12 months. This is up from 51 percent in 1997. The median donation was US$46 in 2009. In a comparison of seven rather wealthy countries, only France had a slightly lower median donation than Norway. In the Netherlands, Canada and Australia, the median donation is twice as large, in the United Kingdom it is three times as large and in the United States it is four times as large. Differences between Norway, the United Kingdom and the United States increase strongly if we look at the higher percentiles. Even if the donated amounts are small in Norway, they are strongly dependent on disposable income as in other countries (Sivesind, 2012). The very low tax-exempted amount, small wage gaps and lack of a charitable tradition are among the reasons for small donations in Norway. The weak tax incentives suggest that professional financial advisors do not focus on philanthropy.

1.6 Other relevant characteristics for Norway

1.6.1 National campaigns

Since 1974, a yearly telemarathon campaign (TV-aksjonen) on the public Norwegian Broadcasting Corporation (NRK) has raised money for one selected voluntary organization each year (2012: Amnesty International, 2011: Norwegian People’s Aid, 2010: The Norwegian Refugee Council, etc.). About 100,000 persons with collection boxes go from door to door and visit two million homes on one Sunday afternoon in October. Since 2006, the amount raised this way has been around US$35 million (NOK 200 million). In addition, the participating organizations increasingly use the opportunity to recruit personal sponsors and thereby get supplementary income in the following years.

Furthermore, a private TV channel (TV2) has bi-annual Artist Galas that focus primarily on recruiting new regular donors and personal sponsors for voluntary organizations (such as Médecins Sans Frontières [MSF], SOS Children’s Villages, Norwegian Red Cross and the Norwegian Refugee Council). Some organizations do not want to take part in these events because they consider the costs of TV production too high in comparison to the money generated. However, the payoff seems to have become higher in recent years. In 2012, SOS Children’s Villages got 14,000 new regular donors, and in 2013 MSF got 10,500. Another private TV channel (TVNorge) has annual shows with popular TV hosts that also focus on recruiting personal sponsors (Fadderaksjonen).

In addition to these regular events, there are large-scale fund-raising campaigns, including a national telemarathon to support victims from disasters, such as the Indian Ocean Tsunami in 2004, the Haiti Earthquake in 2010 and the Philippines Typhoon in 2013. These are arranged by the major foreign aid
organizations; some organizations collaborate, while others claim they work best independently. Increasingly, individuals are launching organized initiatives and fund-raising campaigns by starting Facebook groups (such as Dugnad for Haiti) or websites like mygoodact.com. For the most part, such campaigns operate in a small scale; however, in a few cases they take off, and experienced and professional voluntary organizations like the Red Cross or the Norwegian Church Aid then step in as partners.

1.6.2 Media scandals

Over the past 15 years, there have been several scandals involving fund-raising campaigns and member recruitment agencies working for voluntary organizations, where most of the money went to payments of operations and salaries. The large, traditional voluntary organizations have only been marginally involved in a few cases. There is no legal requirement to have an accreditation before starting a fund-raising campaign. However, all the established, legitimate organizations are registered and are audited by the Fundraising Control, which is the fund-raising organizations’ own watchdog. The problem is that people know very little about how the system works. A survey by TNS-Gallup in 2012 showed that very few knew about the accreditation seal issued by the Fundraising Control, but that using the seal in a fund-raising campaign will raise confidence in the responsible organization.

2. Explaining philanthropy in Norway

2.1 Data and measures

The data on Norway are from a stratified, representative population survey on giving and volunteering from 2009 based on telephone interviews conducted by Statistics Norway with 1,579 respondents aged 16–80 (response rate of 53 percent). Added to the data is a weighed-in sub-sample of 359 respondents from Africa and Asia (first and second generation) that had been living at least five years in Norway (response rate of 36 percent) (Wollebæk & Sivesind, 2010).

The dependent variable in the analyses is the total amount of money that a household donated to charitable organizations in the last 12 months. The survey measures donations made to voluntary organizations in four areas: (1) Health, nursing and emergency services; (2) Social services and alcohol or drug addict rehabilitation; (3) International exchange, disaster and development, or human rights; and (4) Religion and life stance. First, respondents were asked if they or other members of their households had donated monetary gifts to voluntary organizations in any of these four areas during the last 12 months. Second, they were asked how much their households gave to voluntary organizations during the last 12 months in each of the relevant areas.
2.2 Descriptive results

In 2009, 76 percent reported that their households donated to voluntary organizations during the last 12 months (response rate 97 percent). This includes those who confirmed their households donated, but did not know or would not answer how much money they gave (7.3 percent). The average household donated US$312 to nonprofit organizations. An estimate based on average donations multiplied by population in different population strata (women and men, seven regions, eight age groups) shows that the Norwegian household donated US$1.3 billion (based on US dollar value in 2012) (NOK 7.3 billion, based on NOK value in 2009), which is equivalent to 0.3 percent of the GDP. Table 14.1 shows the percent of donors and average amount donated to different types of nonprofit organizations in 2009.

The largest share of Norwegians (48 percent) donates to health organizations. Among the organizations with the largest share of income from donations, we find the Norwegian Cancer Society (Kreftforeningen), which mainly funds medical research, and the Norwegian Heart and Lung Patient Organization (LHL), which is a patient interest organization but also operates clinics and hospitals paid for by the public authorities (Deloitte, 2012). Other important organizations in this area are the Norwegian Women’s Public Health Association (NKS) with 50,000 members and the Norwegian Health Association (Nasjonalforeningen for folkehelsen) with 100,000 donators and 35,000 members; both of these organizations are advocacy and member organizations but also are providers of health services paid for by the public authorities. Some of the large nonprofit organizations in this area operate large rescue and ambulance services, such as the Norwegian Society for Sea Rescue with 68,000 members and Norwegian Air Ambulance Foundation (Stiftelsen norsk luftambulanse) with 713,000 support members. The Red Cross, Norwegian People’s Aid and the Norwegian Rescue Dog Association are active in search, rescue

Table 14.1  Percentage donors and average amount donated among donors to voluntary organizations on different areas in 2009 (unweighted N = 1,937)

<table>
<thead>
<tr>
<th>Donors (%)</th>
<th>Average donation in 2012 US dollars</th>
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<tbody>
<tr>
<td>Health</td>
<td>48</td>
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<tr>
<td>Social services</td>
<td>31</td>
</tr>
<tr>
<td>International organizations</td>
<td>44</td>
</tr>
<tr>
<td>Total secular causes</td>
<td>72</td>
</tr>
<tr>
<td>Total religious causes</td>
<td>15</td>
</tr>
<tr>
<td>Total all causes</td>
<td>76</td>
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</table>
and first aid operations. Additionally, large organizations exist for blind, deaf, handicapped, rheumatic and many other people with diseases and disabilities. In recent years, the number of smaller organizations for people with specific diagnoses has grown rapidly.

Many of the health organizations illustrate that the traditional way of supporting nonprofit organizations in Norway is by passive membership. These members could be recruited to become active for shorter or longer periods as participants in organizational events, volunteers, elected representatives and donors. More recently, it has become common to recruit donors that are not among the members through direct marketing and direct dialogue in the streets.

After health organizations, international organizations rank closely in second with 44 percent of the population as donors. Here we find the nonprofit organizations with the highest incomes from regular donators and personal sponsors on Deloitte’s list, such as Plan Norway, SOS Children’s Villages and Save the Children. Amnesty International, UNICEF, the Strømme Foundation and the Norwegian Church Aid also get large incomes from such donations (Deloitte, 2012).

Organizations active in social services receive donations from 31 percent of Norwegians. The Red Cross and Norwegian People’s Aid have larger parts of their activities at the local association level in this area than in health. Some religious organizations are important in care for extremely poor, homeless and drug and alcohol addicts, such as the Salvation Army, the Blue Cross Norway and the Church City Mission (Kirkens bymisjon). Many people who donate to these organizations may consider it as a contribution to social services rather than to religion when answering the giving survey questions. Even as the population gets more secularized, these organizations are highly respected for their social care for people that government’s services fail to reach.

Health, international and social service organizations together represent the ‘secular causes,’ with 72 percent of the populations as donors. The ‘religious causes’ get donations from only 15 percent of the population. The latter includes religious congregations, mission organizations and the Norwegian Church Abroad, and also non-religious organizations as the Norwegian Humanist Association (Human-etisk forbund). These life stance organizations are grouped together with the religious organizations because they get public support per registered member just like a religious society. Thus, the distinction between religious causes and secular causes is not absolute in the Norwegian data, but since this category is strongly dominated by religious organizations, this most likely does not affect the overall picture of giving in Norway. Previous research has shown that other categories of organizations get relatively small amounts in donations; as such, they were not included in the giving survey because inclusion would probably not result in statistically significant findings.
Norwegians give on average US$311 to nonprofit organizations\(^2\). The largest share goes to international organizations (US$109), followed by religion and life stance organizations with US$103 in average donations from the whole population – even though only 15 percent are donors. Some religious societies are very concerned about their autonomy; some even refuse public support, thus raising a large share of their income from active members is a high priority. Then follows health with US$70 and social services with US$30. Many people donate small amounts to organizations that help poor people and drug and alcohol addicts before Christmas.

2.3 Explaining philanthropic giving in Norway

In this paragraph, we look at the relationships between characteristics known to influence philanthropic behavior and the likelihood and amount people give to all voluntary organizations, religious organizations and secular organizations.

2.3.1 Incidence of giving

Table 14.2 displays the results of a logistic regression analysis of whether or not people give to all charitable causes (total giving), to religious causes and to secular causes. Looking at total giving, the probability of giving increases with age. Higher education also has a positive effect on probability to give. With regard to gender, males have a slightly lower propensity to give. Giving increases quite strongly with higher income; this is surprising, since in an egalitarian society like Norway, one would expect that people with lower incomes would have a more similar propensity to give. People also give more if they have higher levels of trust in others. The pattern for secular giving is very similar. However, for donations to religious and life stance organizations, no significant effects exist for the categories of age between 35 and 65, higher education, gender, household income or trust. However, people above 65 and who are married have a much higher propensity to give.

2.3.2 Amount donated

Table 14.3 displays the results from a Tobit regression analysis of the natural log of the total amount people gave to all charitable cause, to religious charitable causes and to secular charitable causes in 2009. The pattern is very similar to Table 14.2; the same people that have a higher propensity to give also give more money. The most important difference is that people who are married tend to give more in total and to secular causes, although they have no higher propensity to give. There is also a weakly significant effect of secondary education on amount donated, but not on incidence of giving in total and to secular causes. Household income has a strong positive effect on amount donated as it did on propensity to give, despite the fact that income distribution is relatively equal and the average donated amount is rather small in
Table 14.2 Logistic regression analysis of total, religious and secular giving in Norway in 2009 (unweighted N = 1,937)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
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<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td></td>
<td></td>
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<tr>
<td>Constant</td>
<td>-2.98**</td>
<td>0.89</td>
<td>0.02</td>
<td>-3.17**</td>
<td>1.23</td>
<td>0.04</td>
<td>-3.00**</td>
<td>0.89</td>
<td>0.05</td>
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<td>Aged under 35 (ref.)</td>
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<tr>
<td>Aged between 35 and 65</td>
<td>0.37**</td>
<td>0.13</td>
<td>1.47</td>
<td>0.06</td>
<td>0.18</td>
<td>1.06</td>
<td>0.39**</td>
<td>0.12</td>
<td>1.47</td>
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<tr>
<td>Aged over 65</td>
<td>0.64**</td>
<td>0.19</td>
<td>1.96</td>
<td>0.65**</td>
<td>0.22</td>
<td>1.92</td>
<td>0.56**</td>
<td>0.18</td>
<td>1.75</td>
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<tr>
<td>Primary education (ref.)</td>
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<tr>
<td>Secondary education</td>
<td>0.07</td>
<td>0.13</td>
<td>1.08</td>
<td>-0.04</td>
<td>0.17</td>
<td>0.97</td>
<td>-0.14</td>
<td>0.13</td>
<td>1.15</td>
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<tr>
<td>Tertiary education</td>
<td>0.57**</td>
<td>0.13</td>
<td>1.76</td>
<td>0.19</td>
<td>0.16</td>
<td>1.21</td>
<td>0.49**</td>
<td>0.13</td>
<td>1.63</td>
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</tr>
<tr>
<td>Male</td>
<td>-0.21*</td>
<td>0.11</td>
<td>0.081</td>
<td>-0.05</td>
<td>0.13</td>
<td>0.95</td>
<td>-0.29**</td>
<td>0.10</td>
<td>0.75</td>
<td></td>
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</tr>
<tr>
<td>Married</td>
<td>0.20</td>
<td>0.13</td>
<td>1.17</td>
<td>0.69**</td>
<td>0.16</td>
<td>2.00</td>
<td>0.16</td>
<td>0.12</td>
<td>1.17</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>After-tax household income1</td>
<td>0.28**</td>
<td>0.08</td>
<td>1.42</td>
<td>0.08</td>
<td>0.11</td>
<td>1.09</td>
<td>0.27**</td>
<td>0.08</td>
<td>1.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generalized trust2</td>
<td>0.76**</td>
<td>0.24</td>
<td>2.14</td>
<td>-0.18</td>
<td>0.29</td>
<td>0.84</td>
<td>0.76**</td>
<td>0.23</td>
<td>2.14</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

Notes: 1 Natural logarithm of after-tax household income in US dollar; 2 Scale 0–1; 3 Secular giving comprises of giving to organizations in the fields of social services, health and international organizations; **p ≤ 0.01; *p ≤ 0.05; (+)p ≤ 0.10.
Table 14.3  Tobit regression analyses of the natural log of the amount donated to total, religious and secular organizations in Norway in 2009 (N = 1,937)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving³</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>B</td>
<td>S.E.</td>
<td>B</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.61**</td>
<td>0.16</td>
<td>–0.08</td>
<td>0.10</td>
<td>0.64**</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.69**</td>
<td>0.24</td>
<td>0.25(+)</td>
<td>0.14</td>
<td>0.63**</td>
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<tr>
<td>Primary education (ref.)</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.27(+)</td>
<td>0.16</td>
<td>–0.01</td>
<td>0.10</td>
<td>0.31*</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.01**</td>
<td>0.16</td>
<td>0.27</td>
<td>0.10</td>
<td>0.91**</td>
</tr>
<tr>
<td>Male</td>
<td>–0.24(+)</td>
<td>0.13</td>
<td>–0.04</td>
<td>0.08</td>
<td>–0.33**</td>
</tr>
<tr>
<td>Married</td>
<td>0.52**</td>
<td>0.16</td>
<td>0.45**</td>
<td>0.10</td>
<td>0.35*</td>
</tr>
<tr>
<td>After-tax household income³</td>
<td>0.35**</td>
<td>0.10</td>
<td>0.03</td>
<td>0.06</td>
<td>0.37**</td>
</tr>
<tr>
<td>Generalized trust²</td>
<td>1.19**</td>
<td>0.30</td>
<td>–0.20</td>
<td>0.19</td>
<td>1.17**</td>
</tr>
</tbody>
</table>

Notes: ¹ Natural logarithm of after-tax household income in based on the value of US dollar in 2012; ² Scale 0–1; ³ Secular giving comprises of giving to organizations in the fields of social services, health and international activities; **p ≤ 0.01; *p ≤ 0.05; (+)p ≤ 0.10.

Norway (see also Sivesind, 2012). The tax-exempted amounts should also contribute to more equal giving, as the tax advantage for high-income groups is smaller than that in countries with a more liberal approach. Norwegians also have a high level of general social trust (Fridberg & Kangas, 2008). This could also lead to the expectation that donations should be more equal and less dependent on trust. However, trust has very strong impact both on incidence of giving and on donated amount to all types of organizations and to secular causes. Only religious giving shows a more equal pattern, in line with expectations.

3. Conclusion

Several aspects of Norwegian history have prevented philanthropy from emerging as a significant force in society. The country historically had a rather poor and equal population, with no self-confident upper class that saw itself as capable of helping the deserving poor. Charity came to be considered as an outmoded and repressive concept. As such, the state was the most promising source of funding for the expanding welfare society. While the economy grew, and public ownership of private companies was kept at a high level even in the oil age, private capital remained limited. For example, no private foundations existed with a capital above US$180 million (NOK 1 billion) before around year 2000.
Nevertheless, from 1997 to 2009, the share of the population that belongs to households that donate to voluntary organizations has increased from 51 percent to 76 percent. The charitable organizations have a sharpened focus on recruiting regular donors and personal sponsors and on direct marketing targeting ‘cold contacts’ and not just old members.

Nonetheless, this does not mean that the Norwegian population has turned away from volunteering and non-market transaction as their primary way of supporting nonprofit organizations. This still generates more than half the income of the nonprofit sector. In 2009, 48 percent of the population volunteered during the last 12-month period, and a very large part of this time was used to generate income for the organizations. Although the volunteering population share has decreased, this is still very high in international comparison. Furthermore, the average amounts donated to voluntary organizations are still quite small, and they do not seem to grow in relation to household income (Wollebæk & Sivesind, 2010).

Looking at data results, donations to nonprofit organizations in Norway are to a surprising degree dependent on income, age, education and social trust – except with regard to religious causes. One reason for this finding could be that religious, local associations are effective fund-raisers, exercising a strong appeal to a sense of community. In contrast, other kinds of organizations must rely on professional fund-raising operations. They have to play to people’s desire for self-realization, which may be more pronounced when other life goals such as education, high income, marriage and family are realized. People with high levels of general social trust also are found to give more money as well. With weak traditions for charity, Norwegian donators to secular causes seem to be highly reflexive (Giddens, 1991).

Nonprofit organizations in categories that do not generate much money from volunteering have to rely on public transfers, which may come as gaming money that has been increasingly redistributed by the state. Welfare service providers and the top 10 in development aid receive large sums in third-party payments from the government. However, for other organizations in health, social services and international activities, the most promising source of income is donations and personal sponsorships. Therefore, in the future, we will most likely see these nonprofit organizations continue to build up their professional fund-raising operations and learn from successful practices in other countries.

Notes
1. See documentation of the survey in Norwegian: http://sivilsamfunn.no/Prosjekter/Spoerreundersoekelse-om-frivillig-innsats
2. This average donation relates to the unconditional donation, the average amount both non-donor and donor households donated.
References


Giving in Russia: The Difficult Shaping of the New Nonprofit Regime

Irina Mersianova, Lev Jakobson and Irina Krasnopol'skaya

1. The philanthropic landscape

1.1 History

The origin of charitable giving in Old Russia dates back to the adoption of Christianity in the 10th century AD. Care for the poor was an essential mission of the Russian Orthodox Church and Russia’s first Orthodox Princes (Tumanova, 2010). From then on, ‘charitable giving was not so much a supplementary means of public betterment as an indispensable condition of personal moral health’ (Rozanov, 1992, p. 63). Unlike the church and state, individuals mostly limited their charitable activities to almsgiving. However, beginning in the second half of the 18th century, private philanthropy began to show its first signs of institutionalization. Consequently, Russia’s nonprofit sector started to take shape, developing in four phases (Mersianova, 2004; Jakobson & Sanovich, 2010).

**Phase One** (mid-18th century to 1860) was marked by the emergence of nonprofit organizations (NPOs) related to charitable giving, science, literature, the arts, leisure and other types of activities. Only few of these organizations were legally organized. Their members mostly belonged to privileged classes.

**Phase Two** was ushered by the so-called Era of Great Reforms of the 1860s that abolished serfdom. The first steps were taken in the creation of elective local government; courts became more independent, and access to secondary and higher education started to improve. These reforms spurred the development of civil society and an active engagement of various social groups in public-driven initiatives. As such, an organized public system in support of the poor developed rapidly. The government and the public jointly provided relief during the famine of 1891–1892, thereby demonstrating a new level of their interactions. Private philanthropists established numerous hospitals, educational institutions and museums, many of which still operate,
including the world-renowned State Tretyakov Gallery in Moscow. By 1902, Russia had 11,040 charities. Some 8,000 charities operated in urban areas, while the rest benefited rural populations (Philanthropy in Russia, 1907). By the end of the 20th century, Russia had an extensive network of NPOs and an enabling legal framework. At that time, Russia was an absolute monarchy, which restrained political activity of NPOs. However, the government accepted and even welcomed the presence of NPOs in the spheres where government efforts proved ineffective. For example, public initiatives largely made up for the lack of a social welfare system and underdeveloped health care in Tsarist Russia (Jakobson, Mersianova, Kononykhina, Benevolenski, Pamfilova, & Proskuryakova, 2011).

**Phase Three** in the history of Russia’s nonprofit sector started in the year of 1917, when the Communist Revolution cut off the sector’s development trajectory, which used to parallel civil society development in other European countries. The emerging Soviet regime asserted that the state should determine the living standards of every citizen in an organized way. However, this claim was never fully realized, but rather gave rise to a very peculiar welfare regime. On the one hand, the state provided support to fairly well-developed education, health care, pension and housing systems, distributing revenues and nonmonetary income in accordance with the quotas set by the government. On the other hand, the state eliminated private businesses altogether with independent NPOs. Public associations sanctioned by the government served as government tools, with the exception of religious organizations. The latter were only authorized to practice religious services. Any other church-based activities, such as education or support of the poor, were prohibited. Nonetheless, traditions of mutual support and helping to the needy persisted over the course of the entire Communist era. Altruistic self-organized groups, relating, for example, to leisure or sports, started to emerge within the framework of official GONPOs: government-oriented NPOs (Jakobson & Sanovich, 2010).

This process gained momentum in the time of Gorbachev’s perestroika (1985–1991), when civic activism strengthened as its barriers gradually deteriorated. According to estimates, 7–8 percent of the urban population over 14 years of age was involved in citizen-driven initiatives (Zhukov, Kononov, & Kotov, 1988).

**Phase Four** of Russia’s nonprofit sector institutionalization, which started with the collapse of the Soviet Union in 1991, continues to date. This period integrates Phase Two traditions with modern technological, economic, social and political realities. However, as the Communist regime prevailed in Russia for over 70 years, the revival of traditions proved to be much more challenging in Russia than in countries of Central and Eastern Europe, where witnesses
of these traditions, or at least their children, were still living. Moreover, post-
Communist transit in Russia began under the burdens of a severe economic
recession, devaluation of savings deposits, income inequality and a crisis of the
public sector. In 1998, Russia’s GDP amounted to only 60 percent of its 1991
level. In terms of income inequality, Russia outstripped countries of Eastern
Europe as the government almost halved its social budget (Yasin et al., 2013).
Against this backdrop, the need for a radically new welfare mix became urgent,
but the third sector, still young and fragile, was not prepared to rise up to the
challenge. The situation began showing signs of stability only by the end of the
first decade of transit. This change grew from the speedy economic recovery
and the emergence of the middle class, which reinforced the nonprofit sector
(Jakobson & Sanovich, 2010). The sector was still modest in size and its relation-
ship with the state was rather complicated. Nevertheless, the sector developed
into an important actor in public life.

1.2 Size and scope of the nonprofit sector in Russia

According to the Federal Service of State Statistics, Russia, with its population of
142 million people, has about 430,000 NPOs. These are organizations that do
not operate for profit and do not distribute income among their stakeholders.
However, an all-Russia NPO Survey conducted by the Center for Studies of Civil
Society and the Nonprofit Sector of the National Research University ‘Higher
School of Economics’ in 2007 revealed that the number of actually functional
NPOs amounts to only 38 percent of the total number of NPOs (Mersianova &
Jakobson, 2007).

From the typological perspective of Salamon and Anheier (1998), Russia is
characterized by the social-democratic nonprofit regime as judged by its current
ratio of public expenditure funding sources. Public expenditure plays a crucial
role in the funding of social needs, constituting 20.7 percent of Russia’s GDP in
2011 (Romanova, Rudnik, & Matskevich, 2012). At the same time, as demon-
strated in Figure 15.1, citizens’ satisfaction with sectors of the social sphere
is rather low (Jakobson, Mersianova, Benevolenski, Pamfilova, & Tumanova,
2012).

Over the past seven years, public expenditure for social needs has tripled.
However, according to a large team of experts in 2011–2012, commissioned by
the Russian Federation President, this level of support is not enough to fund
the commitments made by the government (Akindinova et al., 2013). Citizens’
payments, both official and shadow (informal, grey or black payments), only
partially make up for the budget deficit. For example, according to the law,
every Russian citizen is entitled to free, timely and highly qualified medical aid.
However, public expenditure related to medical care amounts to only 3.7 per-
cent of GDP (Romanova et al., 2012), as compared to an average of 7.8 percent
across OECD states (Thomson, Foubister, & Mossialos, 2010). Payments made by patients channel an additional 2.1 percent of GDP to the sector, which still provides only a partial solution. There is a critical lack of public nursing homes and accommodations for elderly people. Moreover, social welfare benefits to poor families with children are below the subsistence level. This list of unresolved issues is far from exhaustive.

The above examples make it apparent how important the role of NPOs and charities could be in alleviating people’s problems. To date, however, this role is not so prominent. According to a 2009 survey conducted by CSCSNS NRU HSE under the Johns Hopkins Comparative Nonprofit Sector Project, employment in the nonprofit sector accounts for only 0.9 percent of the total labor force, despite the significant number of NPOs.

Russia’s nonprofit regime as well as its welfare regime (Esping-Andersen, 1990), which constitutes the background of the former, both are still in the making. The current situation mirrors stems from more a path dependency rather than a deliberate democratic choice, arising from the failure of the Communist Utopia and artificial retardation of third sector development. The present welfare mix will be hardly stable in the long run. The correlation of its components may differ significantly depending upon a number of economic and political factors. One of these factors is the dynamics of oil prices, since oil export in large part secures the funding of the public sector.

Analysis indicates that the development of a balanced and sustainable welfare mix in Russia is not feasible without accelerated development of the third sector (Jakobson et al., 2012). However, government policy with regard to the sector and private philanthropy is quite controversial. While important steps have been taken recently to support the so-called socially oriented NPOs, NPOs receiving foreign funding continue to face strict measures.
1.3 Government policy in the nonprofit sector

1.3.1 Government support

The nonprofit sector was officially legitimized in Russia in the mid-1990s. Still, the government did not commit any tangible support for the sector development for more than a decade thereafter. The situation started to change in 2006, when the federal government first allocated US$20.7 million for this purpose. The money was competitively distributed, and some 1,054 NPOs received federal grants. Subsequently, both the total financial pool and an average grant size increased on an annual basis. The average grant size rose from US$19,628.50 in 2006 to US$62,560 in 2012 (Foundation of Civil Society Development, 2013).

Currently several ministries and government agencies are responsible for NPO financial support, which totaled to about US$184 million in 2012 (data provided by the Russian Federation Ministry of Economic Development). According to preliminary estimates, federal support of NPOs will reach US$8.2 billion in 2013. Additionally, regional and local authorities allocate funding to NPOs, yet no adequate reflection in Russia’s statistics exists.

The state is the largest donor supporting the nonprofit sector. According to an all-Russia NPO survey (CSCSNS NRU HSE, 2012, N = 1,005), government subsidies accounted for 11.3 percent of NPOs budget. Private donations from individuals and corporations made up 15 percent and 8 percent, respectively. Membership fees amounted to 20 percent of the NPOs’ budget. Looking at NPO average income, government subsidies are the largest source of funding for NPOs related to culture, recreation, health care, environmental safety and civic rights. Government contracts for the procurement of goods and services are the major funding sources for NPOs in the sphere of education and research. Faith-based organizations and foundations mostly rely on personal donations, whereas membership fees dominate the budget of NPOs’ partnerships and associations of legal persons. According to an all-Russia survey by CSCSNS NRU HSE (2012, N = 1,005), 10 percent of NPOs are recipients of federal funding. Regional and municipal budgets provide support to 10 percent and 16 percent of NPOs, respectively. Overall, 27 percent of NPOs, in some way or other, benefit from public funding sources. However, no more than 5 percent of NPOs solely rely on public funding. In addition to financial support, Russian NPOs focusing on social issues receive federal or regional support in the following form:

1. Property, information and consulting support as well as support in the training and professional development of NPO staff and volunteers;
2. Tax privileges in compliance with the effective legislation on taxes and levies;
3. Contracts for the procurement of goods and services and performance of work for federal and municipal agencies;
4. Tax privileges in compliance with the effective legislation on taxes; and finally,
5. Levies to benefit legal persons providing financial support to NPOs.

Nevertheless, the amount of public support remains inadequate and the quality of its infrastructure differs in Russia’s regions.

1.3.2 Fiscal incentives

Income tax in Russia is 13 percent. In 2012, the government introduced a tax deduction for Russian citizens who make financial donations to one of the following charitable causes:

- NPOs related to science, culture, amateur sports, education, health care, civic liberties and human rights, social support and legal protection of citizens, disaster relief, environmental protection and animal protection;
- socially oriented NPOs, to support their statutory activities;
- charities and faith-based organizations, to support their statutory activities;
- NPOs, to establish or replenish an endowment.

The tax deduction equals the total amount of financial donations made by a taxpayer over a 12-month period, not exceeding 25 percent of income received by the taxpayer over this period.

According to an all-Russia survey by CSCSNS NRU HSE (2012, N = 2,000), only 2 percent of respondents named income tax deductions as a prerequisite for their charitable giving. Some 80 percent of the respondents said that they would definitely make financial donations if they were confident that the money went to designated purpose.

1.4 Regulation of the nonprofit sector

In Russia, the Ministry of Justice is responsible for regulation of the nonprofit sector. Territorial agencies of the Russian Federation Justice Ministry are authorized to make inspections in order to check NPOS’ compliance, including their fiscal activity and use of property, with the scope and kinds of activities envisioned by the statute. The frequency of inspections is specified by Federal Law # 294-FZ ‘On protection of legal entities and individual entrepreneurs’ rights when exercising state control (supervision) and municipal control’ and the procedure of inspection is defined by an authorized agency.

Thus far, Russia has no institutional associations that provide NPO accreditation services, and the SEAL Institute has yet to be created. Therefore,
there are no institutional ways of checking reliability, trustworthiness and efficiency in Russia.

1.5 Culture

1.5.1 Religion

The three main religious denominations present in Russia include Christianity (represented predominantly by Russian Orthodox Church as well as by Catholics and Protestants), Islam and Buddhism. Russia has no official statistics on the membership in faith-based organizations because the law prohibits gathering information about citizens’ religious affiliation. Hence, the religiousness of Russians and their confessional self-identification can be determined only through sociological surveys of the population.

The 2012 nationwide survey by CSCSNS NRU HSE (N = 2,000) revealed that 18 percent of Russians did not consider themselves to be of a particular faith. Some 71 percent of respondents said they were Orthodox. Two percent said that they belonged to other Christian denominations (Catholic, Protestant, Uniat, Baptist and others). Five percent of respondents identified themselves as Muslims, and 1 percent mentioned other religions. Four percent of respondents found it difficult to answer.

In contemporary Russian society, empirical data on the relationship between private charity and religion and the charitable aspect of a religious organization’s activities have been presented in a relatively small number of publications, which does not show the whole picture (Atlas, 2005–2008; Mirtrokhin, 2006; Alleroev, 2010; Aronov, 2010; Tikhonovich, 2010; Tikhonovich & Suchilin, 2010).

According to an all-Russia representative population survey conducted by CSCSNS NRU HSE in 2009 (N = 2,000), only 40 percent of respondents said they attended a church, mosque or house of worship. The data here shows that the only truly common form of participation in the life of local faith-based communities is donations made to the church, mosque or house of worship (Figure 15.2). This relationship is characteristic of various religious groups, except for Muslims, for whom this practice is not very popular, according to the survey results. That said, they more frequently donated clothing than did other religious groups.

Overall, the Islamic community looks notably more active than other religious groups, based on the survey results. These communities, especially Orthodox parishes, are not currently hotbeds of mutual aid even for most believers, and they certainly cannot be considered massive donors outside of the group. Of course, there are exceptions to this rule, but they are relatively rare. Unlike many other countries, the development of charity in present-day Russia is only weakly connected with the activities of religions organizations.
Figure 15.2  Percentage participating in parish activities, by type of participation

1.5.2  Professionalism of fund-raising

1.5.2.1  Organization of fund-raising

Fund-raising is a relatively new area for Russia’s NPOs. Defined as a complex of practices aimed at tapping and accumulating finance from various sources for NPOs’ projects and programs, fund-raising remains at a low professional level. The first Fundraisers’ Association in Russia is still undergoing the legal registration process. The National Fundraisers’ Guild established in 2000 has ceased operation. There are several training programs and seminars for NPO staff, including free programs offered by major donors and government agencies. A number of resource centers and Internet fund-raisers’ communities have developed information dissemination platforms that advance best practices and arrange consultations, lectures, and seminars. However, these initiatives do not resolve Russia’s critical lack of highly qualified fund-raising professionals.
Nevertheless, many NPOs use elements of fund-raising as a tool to reduce their financial vulnerability. In 2012, 56 percent of NPO respondents identified lack of funding as a key challenge to their organizations (data from the all-Russia survey of 1,005 NPOs conducted by CSCSNS NRU HSE). Nevertheless, NPOs’ use of fund-raising tools and methods is not regular and often occasional.

Fund-raising is applied more effectively by the so-called fund-raising foundations or support foundations working to benefit the poor, children and other disadvantaged groups. Examples of these foundations include the Gift of Life Foundation (Podari Zhizn), the Life Line Foundation (Liniya Zhizni), Pomogi.org, Russian Children’s Fund, some endowments, especially university endowments and community foundations. Fund-raising foundations demonstrate a higher degree of information transparency (open access to financial and audit reports) than other kinds of foundations and NPOs (Donors Forum, 2012). The development of fund-raising foundations is largely dependent on the growth of private philanthropy, including corporate charity. In 2012, the aggregate budget of 12 major fund-raising foundations in 2012 totaled to US$61 million. This figure is on par with the total budget of community foundations and US$36.8 million less than the total budget of private foundations (Donors Forum, 2012).

Russian fund-raisers increasingly utilize donation approaches such as donation boxes, charitable events, mailing lists and personal addresses, and face-to-face communications as major tools for securing funding. Online fund-raising instruments and applications are also developing. However, the latter as well as donations through bank accounts, mobile services, and monthly deductions from salary are not very popular thus far. Foundations often arrange large-scale fund-raising events, such as sports competitions and races, charity concerts and auctions.

Several major national charity lotteries are active in Russia (Pobeda, Gosloto). The Savings Bank of the Russian Federation, the largest commercial bank in Russia, is authorized to sell tickets for charity lotteries in all regions of the Russian Federation. A draft law obliging public lotteries to allocate 10 percent of their proceeds to charity programs is currently in deliberation. Currently, this requirement applies only to private lotteries (10 percent of three-month income on a quarterly basis).

1.5.2.2 Major donors

Russian religious (Christian) and cultural traditions envisage and endorse almsgiving, preferably made anonymously. The practice of giving money to people in need is endorsed by an absolute majority of Russians (83 percent).

Not long ago, in the 1900s, business people making large private donations preferred to keep a low profile in order to not attract the attention
of government and taxation authorities to the size of their fortunes, among other reasons. Public opinion did not welcome sizeable private donations, as they were commonly perceived as a proof that ‘all large properties have been acquired illegally at the time of privatization following the collapse of the USSR’ (Polischuk, 2006). A little more than half of Russians believe that private companies must spend part of their income for public benefit, although doubts about the altruistic motivations of wealthy givers prevail in public opinion (Mersianova & Jakobson, 2010, pp. 195–196).

Owners of Russia’s largest companies, entrepreneurs and founders of major charitable funds (such as the Potanin Charitable Fund, the D. Zimin Fund, O. Deripaska’s Volnoye Delo Fund, M. Prokhorov’s Charitable Fund of Cultural Initiatives and others) make huge private donations. To date, the media has started to show interest in the civic stance of wealthy entrepreneurs. Public attitudes toward large donations made by wealthy individuals have become more agreeable, especially in big cities. This shift in perceptions can be especially attributed to media messages featuring charitable giving as a public benefit. These publications primarily appear on the Internet (Donors Forum, 2012). Private donations of major donors – entrepreneurs and businesspersons – make a significant proportion of private giving.

1.5.2.3 The role of financial advisory professionals
The need for financial advisory professionals in the area of charitable giving has not become an issue for Russia’s nonprofit sector to date. The interest in charitable giving from the tax, accounting and legal perspectives results in a variety of consulting services for private companies and NPOs on topics relating to taxation, legalization and auditing of charitable giving. These services are provided both on a commercial basis and free of charge by NPO resource centers, associations and other entities.

There exists no financial consulting on charity issues for private individuals. Development of individual financial strategies and investment consulting has not become widespread. Experts note a low level of popular financial literacy, including awareness of issues relating to personal savings and investment insurance (Kuzina, 2011). There is not enough data on the financial planning by major donors and wealthy givers. Leading financial and audit firms, particularly the international ones, which include individual consulting in their service packages, do not focus on philanthropy. No growth in demand for financial advisory professionals in philanthropy is expected in the near future.

1.6 Other relevant characteristics for Russia
1.6.1 The level of trust
Cash donations to people in need are a form of social integration and are in a direct connection with social capital and level of generalized and institutional trust (Bekkers, 2003; Evers & Gesthuizen, 2011). They are also, to some
extent, a way to express mutual trust: those giving express their trust that those receiving charity are actually in need, while those receiving express their trust that they will be helped. According to Bekkers (2003, p. 607), ‘Donors usually lack information about the way their money is spent. They can only trust that the charitable organization spends the money in a sensible way.’ Formal channels of monetary donations are relatively weak in Russia. For instance, there is no accreditation system for charitable organizations and other NPOs. One of the main reasons for this lies in the fact that a great number of Russians do not have trust in NPOs. The data of our national surveys indicates that only 37 percent of Russian citizens are trustful of certain NPOs. This is aggravated by a socio-political phenomenon referred to as ‘deficit of trust,’ which emerged in the mid-1990s alongside radical economic and political transformations. The deficit of trust was acute in many layers of society and most spheres of public life, especially in economics, politics and the social sphere. The deficit of trust is still present in this country, which manifests in a low level of both interpersonal confidence (only 18 percent of respondents believe that people can be trusted) and institutional confidence. This social environment is not conducive to the development of philanthropy and charitable giving to intermediary institutions and NPOs.

Russians are most trustful of giving money directly to the needy (80 percent). Our national survey conducted in 2011 (N = 2,000) revealed that if there was no opportunity to pass monetary donations directly to the needy, 58 percent of the respondents would do it through relatives or friends of those receiving donations and only 11 percent would turn to local charity organizations and foundations. Nine percent of respondents would make donations through faith- and church-based organizations and parish communities. Respondents were most likely to be certain that the money would reach the person in need if he or she receives it in person. People also tend to be more trusting when money is collected by friends or acquaintances. Bank transfers and money collection at work were also noted relatively often. People expressed less trust in other types of money transfers (Figure 15.3).

This is yet another proof of the crisis of institutional trust in Russian society. This lack of trust among Russians in intermediaries of charity needs to be solved in order to increase mass philanthropic activity in the country.

2. Explaining philanthropy in Russia

2.1 Data and methods

For the data on Russia, we used five surveys conducted by CSCSNS NRU HSE. Every survey represents adult population of the Russian Federation and evaluates the level of individual donations. Household donation behavior was not examined. The method of face-to-face interviews was used.
1. Results of the nationwide population survey conducted by the Centre for Studies of Civil Society and the Nonprofit Sector of NRU HSE in 2010. Data collection was conducted by the Public Opinion Foundation. The face-to-face interviews were conducted in 83 regions of the Russian Federation among the adult population (18 years and older). The sample size for each region was 500 respondents, totaling 41,500 for the country. The same general principles for building the sample were used in all regions. A three-stage stratified sampling of households was used. The selection of households took place in three stages. Administrative regions were selected in the first stage, towns and cities in the second, and households in the third. The margin of error for the Russian Federation was under 5.5 percent. The margin of error for all regions does not exceed 1 percent.

2. The Population Surveys were carried out by CSCSNS in 2009, 2010 and 2011. Data was collected by the Public Opinion Foundation. Annual sample included 2,000 respondents selected with regard to socio-demographic characteristics, representing the adult population of Russia by sex, age, type of community, education and socio-professional status. The statistical error of the data does not exceed 3.4 percent.

3. The mass population survey was carried out by CSCSNS in 2008. Data was collected through formalized interviews by the Russian National Centre for Public Opinion Research. The survey sample was made up of 1,600 respondents selected with regard to socio-demographic characteristics, representing the adult population of Russia by sex, age, type of community, education
and socio-professional status according to criteria worked out with survey program. The statistical error of the data obtained does not exceed 3.4 percent. All questionnaire tools were developed by I. Mersianova and L. Jakobson.

2.2 Descriptive results

Data collected by NRU HSE’s Centre for Studies of Civil Society and Non-profit Sector shows that the total amount of money donated by individuals (mass philanthropy, not large donors) was around US$1 084.7 billion in 2009, which is an increase from US$968.5 million in 2008, US$965.5 million in 2007 and US$951.6 million in 2006 (Mersianova & Korneeva, 2011). Gross Domestic Product in 2009 was US$1,508.9 billion. These estimates are based on the results of the annual nationwide survey of the population conducted by the Centre along with the leading sociological centers in the country. Total giving volume is about 0.07 percent of GDP. According to a mass population survey (2010), 51 percent of the population positively answered the question, ‘In the last two to three years, how often have you donated money, personally given to a stranger in need, including beggars?’ However, most of those who made donations (including handouts to the poor) said that they did so ‘rarely, or only a few times,’ while a third answered that they do so often, and less than one-tenth said that they did so only once (Mersianova & Korneeva, 2011, p. 100).

Those who donated money in the last two to three years were asked to estimate the total amount of their donations from the last year. About half of the group had trouble answering this question. The rest gave meaningful answers: one-fifth donated up to US$4; one-fourth donated US$4–39; and one-sixth donated more than US$39. Average sum of donation was US$53 in 2007, US$62 in 2009 and US$63.5 in 2010. Respondents with high and above-average incomes and those who have university degrees are the most likely to donate over US$39. According to mass population survey, 80 percent of Russians said that their current income is not enough to let them donate money. Only 17 percent of respondents gave positive answers. Among those who said they make enough money to donate, nearly one-quarter do not actually do so, while 56 percent said they do so rarely. Only 19 percent said they donate regularly.

Giving activity differs according to various socio-demographical characteristics. More than a half (56 percent) of women and 48 percent of men said to have made charitable donations to people in need (including beggars) in the last two to three years. Women more often than men make donations ‘often and very often’ (17 percent against 12 percent). The poll showed that Russians aged 31–45 and 46–60 years are the most active donors (56 percent and 55 percent, respectively). About 52 percent of people under the age of 30 donate, while 46 percent of those older than 60 do so. People with children make donations more often than those who do not have children or whose children live separately.
Those who are higher educated have a higher frequency of giving. About a fifth (18 percent) of those with a higher education said they make donations ‘often and very often,’ while only a tenth (11 percent) with a primary education claimed to do so. The latter do not donate more often than do those with a higher education (60 percent and 14 percent, respectively).

Engagement in charitable activities is related, to a degree, to a person’s type of employment: 69 percent of entrepreneurs and businessmen and 62 percent of managers reported they engage in charitable activities. On the other hand, the number of unemployed pensioners and students who do so is only 45 percent and 39 percent, respectively.

Those who take part in NPO activities as a rule donate money more often as well as donate comparatively large sums of money per year. In the data, of those who are NPO members (excluding homeowner societies, housing cooperative and political parties), 25 and 42 percent said that they do so ‘often and very often’ and ‘rarely, or only a few times,’ respectively. Among those who are not involved in NPO activities, these figures are only 15 and 35 percent, respectively. Nearly a half (48 percent) of Russians who are not member of any NPO said they make donations only once, while 29 percent of those who are involved in social work answered the same way.

Philanthropic donations are predominantly directed to those in need. Russians donate mainly to help to elderly people (14 percent of those who donated during last two or three years). A tenth donate to help to disabled people, and the same percentage give to religious organizations. Slightly less respondents donate to children’s surgeries. In 2010, 7 percent of Russians donated to orphanages.

Russians still rarely consider nonprofits or government organizations as possible places to give money or intermediaries in this process (Mersianova & Jakobson, 2009). Most citizens (37 percent) prefer to give material support to those in need on their own. Very few (1 percent) said they use an intermediary organization for their charitable donations. Hence, the amount of private donations of ordinary Russians is not that high, and little of this sum goes through institutional channels of mass philanthropy: charity funds, community foundations and NGOs.

2.3 Explaining philanthropic giving in Russia

In this paragraph, we look at the relationships between characteristics known to influence philanthropic behavior and the likelihood and amount people give to any philanthropic aims.

2.3.1 Incidence of giving

Table 15.1 displays the results of a logistic regression analyses of whether or not people give to any charitable cause (total giving). In this study, estimates of probability ratios were taken from the results of a multinomial logistic
regression. The estimates of probability ratios coincide with the exponents of corresponding parameters of logistic regression. Results of analysis of current experience and probabilities of charitable donations by number of factors are listed below.

Men in Russia have a 31 percent lower probability of making a donation compared to women.

With respect to age, probability of philanthropic giving is 21 percent less for those who are over 65, in comparison with those who are under 35. In comparison to people over 55 years old, those who are 36–54 years old are nearly 90 percent more likely to donate, and people under 35 are more than 33 percent more likely to donate. Regarding marital status, those who are married have a 15 percent higher probability of making a donation compared to those who are not married.

Those who are higher educated have a higher probability of giving. People who completed a secondary education have a 30 percent higher probability of making donations compared to those with only primary education or less. People who completed a tertiary education have a 60 percent higher probability of making a donation compared to people with only a primary education.

Russians with income more than US$400 per month have 20 percent higher probability to make donations then people with income up to US$200. People who own a flat or part of a flat have 70 percent higher probability of making donations than those who do not have a flat or part of a flat.

No significant differences were found in giving for religious causes and for secular causes.
3. Conclusion

Russia is a country with a long-standing philanthropic tradition. Its philanthropic sector underwent an intensive process of institutionalization from the mid-19th century up to the revolution of 1917. The process was cut off for 70 years with the attempt to establish a state monopoly for solving social problems. However, private altruistic activity existed during the whole period. The post-Communist transit spurred the formation of a new nonprofit sector, which supplemented the insufficient public sector to satisfy the needs of Russian citizens. Today public expenditure constitutes 20.7 percent of Russia’s GDP (Romanova et al., 2012). At the same time, citizens’ satisfaction with sectors of the social sphere is rather low (Will the State Manage It Alone, 2011). Society and the state have realized that private philanthropy and NPO development form essential precondition of successfully solving current social problems.

However, the current environment for donors and NPOs is not ideal. While the state provides increasing support for socially oriented NPOs, it is still rather suspicious about human rights activities and third sector’s participation in politics. Citizens are often poorly informed about NPOs and do not trust many of them. Therefore, private philanthropy exists mainly in non-institutionalized forms. All of these factors obstruct third sector development, preventing NPOs from securing financial stability. Moreover, these barriers cause NPOs to overly depend on a limited number of donors, who represent the state or big business. Thus, the new nonprofit regime operates in the challenging conditions of low trust and unshaped philanthropic infrastructure.

However, there are certain positive factors aiding philanthropy development. First, the state’s attention to the philanthropic sector is growing, thus developing a legal base for NPOs, individual and corporative philanthropy. Second, charitable giving is becoming increasingly perceived as a good deed, fostering an environment that approves of philanthropic donations from both major donors and common citizens. Finally, corporate philanthropy is growing rapidly, thus providing opportunities for employees to donate and volunteer. Thus, Russian philanthropy continues to develop despite the barriers in its present environment.

Notes

1. This work is an output of a research project implemented by the Center for Studies of Civil Society and the Nonprofit Center of the National Research University Higher School of Economics CSCSNS NRU HSE (Центр исследований гражданского общества и некоммерческого сектора Национального исследовательского университета ‘Высшая школа экономики,’ НИУ ВШЭ) as part of the Basic Research Program of the National Research University Higher School of Economics (HSE). The authors gratefully
acknowledge the contribution of Irina Korneeva for participation in survey data processing and Natalya Ivanova for the translation of this article into English.

2. The dependent (output) variable regression in this case is the nominal variable ‘participation in cash donations.’ The gradations of this variable were answers to the question ‘In the last two to three years, how often have you donated money, personally given to a stranger in need, including beggars?’ This variable has two values: donated (combining the answers ‘donate regularly,’ ‘donated a few times,’ and ‘donated once’) and ‘did not donate’ (combining the answers ‘did not donate’ and ‘no answer’). The predicted value of the variable ‘participation in cash donations’ was the value with estimated probability that was more than 0.5. The level of significance was below 0.001, indicating that it is significant. An indicator of the quality of the chosen model is the percent of correctly predicted responses, which in this case was 57.2 percent. The relatively low level of this indicator is due to the fact that not all variables that significantly influence a respondents’ participation in cash donations were included in the model. For example, adding to the model the variable of a description of the region in which the respondent lives increases the correctly predicted response level to 59.3 percent.

The level of agreement between experimental and simulated data can be characterized by the Pearson and D statistics. These statistics show the variation between observed frequency and expected frequency as predicted by the chosen model. The Pearson statistic in this case was 0.636 and the D statistic was 0.433. This shows an insignificant difference between the experimental and expected data.

References


16

Giving in Switzerland: High Engagement and International Outreach

Georg von Schnurbein and Steffen Bethmann

1. The philanthropic landscape

1.1 History

The philanthropic history of Switzerland reaches back to the middle ages (Degen, 2010). Wealthy people donated based on Christian belief and charity for hospitals, orphanages and almshouses. Some of these early examples of giving continue to exist today, such as the ‘Inselspital’ in Berne which roots back to a foundation from 1354 (Purtschert, von Schnurbein, & Beccarelli, 2003). Despite these early examples, the development of philanthropy in Switzerland is closely related to the development of the modern Confederation in the 19th century (Degen, 2010). During the brief existence of the first centralized state, the Helvetic Republic from 1798 to 1809, the old elites lost their hegemony while new forms of social engagement developed. The Swiss Benevolent Society (Schweizerische Gemeinnützige Gesellschaft), founded in 1810, was especially a driving force in the development of social standards and establishment of many nonprofits in areas such as education, poor relief, elderly care and youth welfare (Schumacher, 2010). Other relevant movements in the 19th century were self-help organizations (co-operations), leisure and culture associations, and the foundation of the International Committee of the Red Cross (ICRC) in 1863 (von Schnurbein, 2013). The idea for the ICRC was developed by Geneva citizen, Henri Dunant, after having witnessed the aftermath of the Battle at Solferino. He wanted to create a neutral organization that offered assistance to war victims regardless of affiliation or nationality.

Since its beginnings in 1848, the Swiss Confederation was dominated by strong liberal policies, favoring a weak state and encouraging private social services. With the increasing embodiment of the welfare state in the 20th century, many nonprofits lost their initial meaning, and a subsidiary relationship to the state emerged. The new codification of Swiss Law in 1912 defined the modern
legal types for nonprofits (foundations, associations and co-operations). At that time, grant-making organizations for education, social welfare, culture or education were mostly organized as associations, and only about 200 foundations existed (von Schnurbein, 2009).

Swiss society’s pillarization along religious denominations and political opinions did not reach levels observed in other countries such as the Netherlands, but it did lead to distinct organizations for sports, musical engagements or education. The ongoing construction of the direct democratic system led to an increasing number of special interest organizations, especially unions and trade associations. Since 1937, federations have had a constitutional right for participation in the legislative process (Helmig, Lichtsteiner, & Gmür, 2010).

After World War II, the structure of the nonprofit sector changed due to two dominant factors: first, the loosening of social ties (along with secularization) led to a decrease of membership in large nonprofits (churches, unions, political parties, sports and social associations) and a more heterogenic landscape. Especially in new fields of activities such as environmental protection, many similar organizations co-exist. Second, the general economic prosperity of Swiss society resulted in an ongoing growth of foundations and private giving (von Schnurbein & Bethmann, 2010). In sum, the Swiss nonprofit sector has played an important role throughout history and is deeply rooted in contemporary society.

1.2 Size and scope of the nonprofit sector in Switzerland

In Switzerland, nonprofits have no general obligation to register. However, with estimations of up to 100,000 nonprofits for the nation’s eight million inhabitants, the sector proves to hold strong importance in Swiss society. The sector’s workforce counts up to 180,000 fulltime equivalent workers (FTE) and another 107,000 FTE of volunteer participation (Helmig et al., 2010). Following the classification of Salamon and Anheier (1998), Switzerland is closest to the liberal model, although recent developments move it toward a social democratic model (Helmig et al., 2010). Indicators for this characterization are the large nonprofit sector and the fairly sizable private support. The total of 12,715 foundations emphasizes the high relevance of private action (Eckhardt, Jakob, & von Schnurbein, 2012). However, not all foundations are grant-making. About one-third are operative and serve as governing bodies for museums, nursing homes and other welfare institutions (von Schnurbein, 2009). Tendencies toward a more complementary role to the state are supported by the fact that government spending on public social expenditure reached 20.2 percent of GDP in 2005 (OECD, 2013).
1.3 Government policy in the nonprofit sector

1.3.1 Government support

According to Helmig et al. (2010), 35 percent of nonprofit earnings are derived from public sources. However, the importance of state funding differs among the fields of activity. While the two dominant nonprofit activities of social and health services receive 45.5 percent and 44.7 percent, respectively, of their earnings from public funding, other fields of activity such as development aid (33 percent), education and research (28.6 percent) and housing (24 percent) are significantly lower. Consequently, Swiss nonprofits show – depending on the field of activity – a high reliance on individual earnings and private funding (Helmig et al., 2010).

Following the concept of subsidiarity, the state assigns nonprofits with the fulfillment of public services. Three types of state support can be distinguished (Nollert & Budowski, 2009): direct contributions not linked to provision of services, the provision of capital and service agreements. However, the major share of state support is based on service agreements, especially in the social services, development aid or arts. Due to the federalist structure of the country and the extensive sovereignty of the different state levels, state subsidies for nonprofit services can vary widely within the country.

Despite the fact that the Swiss government has no explicit policy toward the nonprofit sector and restrains from extensive regulatory support, the state institutions and nonprofits work closely together based on a subsidiary understanding of collaboration (Nollert & Budowski, 2009).

1.3.2 Financial incentives

The Swiss tax system is affected by the federalist structure of the country. The confederation, the cantons and the municipalities impose taxes on the incomes of natural persons. Thus, the percentage of income taxes on household income varies. However, the overall amount usually stays below 40 percent. Taxation is based on a progressive system, meaning that the marginal tax rate increases with income. Tax deductions are eligible for voluntary contributions to tax-exempted organizations (Jakob, Huber, & Rauber, 2009). As such, membership fees are not tax deductible. Charitable donations, as well as personal contributions in kind of CHF 100,000 (US$107,000) or more per fiscal year, are deductible from income, whereas the maximum deductible is 20 percent of the taxable income decreased by certain expenditures (art. 26 – 33 DBG resp. art. 33a DBG). Once again, cantons may determine a different maximum deduction for cantonal and municipal taxation. Although the majority is following the national rate of 20 percent, some are lower (5–10 percent) and one exception allows a tax deduction of 100 percent; for example, the charitable gift is totally...
Country: Switzerland

Table 16.1 Tax deduction of charitable donations by canton (proFonds, 2012)

<table>
<thead>
<tr>
<th>Canton</th>
<th>Rate of tax deduction (%)</th>
<th>Growth of charitable foundations from 2000–2011 (%)</th>
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</thead>
<tbody>
<tr>
<td>Aargau</td>
<td>20</td>
<td>36.8</td>
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<tr>
<td>Appenzell Inner-Rhodes</td>
<td>20</td>
<td>158.3</td>
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<tr>
<td>Appenzell Outer-Rhodes</td>
<td>20</td>
<td>48.5</td>
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<tr>
<td>Basel-City</td>
<td>20</td>
<td>41.6</td>
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<td>Basel-District</td>
<td>100</td>
<td>39.7</td>
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<td>Bern</td>
<td>20</td>
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<td>Fribourg</td>
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<td>101.5</td>
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<tr>
<td>Geneva</td>
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<tr>
<td>Glarus</td>
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<td>Grisons</td>
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<td>Jura</td>
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<tr>
<td>Lucerne</td>
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<td>Neuchâtel</td>
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<tr>
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<td>Obwalden</td>
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<td>Schwyz</td>
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<tr>
<td>Schaffhausen</td>
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<td>52.2</td>
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<tr>
<td>Solothurn</td>
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<tr>
<td>St. Gallen</td>
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<td>75.0</td>
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<tr>
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<td>57.0</td>
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<tr>
<td>Ticino</td>
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<td>89.8</td>
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<tr>
<td>Zurich</td>
<td>20</td>
<td>51.8</td>
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deductible from the taxable income. Unfortunately, no general information on the use of fiscal incentives by the population exists. However, the establishment of charitable foundations hints at use of such incentives, as founders benefit from the same tax deductions as regular donors. For instance, while the canton of Basel-District has a high tax deduction in comparison to its neighbor cantons such as Basel-City or Aargau, this higher deduction does not lead to a higher growth in new foundations (see Table 16.1).

1.4 Regulation of the nonprofit sector

The regulation of the nonprofit sector in Switzerland is organized on the different state levels and thus not uniformly. Nonprofits have to apply for tax exemption at their cantonal tax authorities. Two cumulative requirements have
to be fulfilled: first, promotion of the general public interest; and second, disinterestedness, meaning that the utility of the NPO activities is not directed toward the donors or members\(^2\) (Jakob et al., 2009). The decisions are taken on a case-by-case basis, which are determined by relevant public opinion of the nonprofit (with respects to general public interest) and by the fact that the activity is not linked to the economic or personal interests of the founders or members of the organization (Jakob et al., 2009). Furthermore, a general obligation for registration exists for foundations, but not for associations. However, all large nonprofits register on a voluntary basis. Additionally, fund-seeking organizations can apply for the seal (ZEWO Gütesiegel) of the ZEWO Foundation (Stiftung ZEWO, 2012). In order to receive the seal, the organizations have to hand in annual reports and comply with specific accounting standards. At the moment, about 500 organizations use the ZEWO seal, representing more than 60 percent of fundraising income. As the ZEWO Foundation is only applicable for social service organizations, and as organizations with political or missionary activities are excluded, the Swiss Evangelical Alliance (Schweizerische Evangelische Allianz SEA) has launched an alternative seal (SEA Ehrenkodex) for social organizations with a missionary aim.

Another important instrument of self-regulation is the accounting standard Swiss GAAP FER 21, which was developed explicitly for fund-seeking nonprofits. Published in 2003, the standard has gained major acceptance and is even used by other nonprofits such as grant-making foundations (Egger, von Schnurbein, Zöbeli, & Koss, 2011). Nowadays, many institutional funders, especially state authorities, link their contributions to the requirement that Swiss GAAP FER 21 is fulfilled.

1.5  Culture

1.5.1  Religion

Historically, Switzerland is a predominantly Protestant country. The beginnings of the modern Confederation were especially marked by Protestant repression of Catholics (Degen, 2010). Due to immigration, particularly from Italy and Portugal, the number of Catholics has increased. As a result, formerly Protestant-dominated cities (such as Zurich, Basel, Geneva and Lausanne) show today a higher percentage of Catholics. However, secularization is increasing, and thus the number of people with no religious affiliation is growing rapidly. In 1970, 1.2 percent of the population reported no religious affiliation, in the year 2010 the percentage was 20.1 percent (Bovay, 2004; BfS, 2012). 38.6 percent of the population are Catholics, 28 percent are members of the protestant national church, 4.5 percent of the population are Muslims and 0.2 percent are Jews. On average, 9 percent of the population attends services regularly (Stolz, Chaves, Monnot, & Amiotte-Suchet, 2011).
In most cantons, a State Church Tax exists. Usually, the church tax is dependent on the income. However, exceptions of these rules exist. Some examples: in the canton of Geneva no church tax exists, in the canton of Neuchâtel the church tax is voluntary and in the canton of Valais, the municipalities decide on church taxes.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Fund-raising marketing is increasingly professionalized in Switzerland. SwissFundraising is the national association of fund-raising professionals that organizes national and regional conferences. Additionally, the association offers a professional register with fund-raisers who follow the association’s code of conduct. According to the figures published by ZEWO foundation, the average fund-raising expenses of nonprofits are 8 percent of the total expenses (Stiftung ZEWO, 2012).

The most dominant fund-raising methods of Swiss nonprofits are direct mailings, direct dialogue in city centers and door-to-door-activities. Several of the largest social service organizations have founded together the association ‘myhappyend.org’ that promotes the idea of a charitable bequest. The percentage of charitable bequests in relation to the donation total received by philanthropic organizations is between 0 and 77 percent, with an average of 7.7 percent (Purtschert, Beccarelli, & Notter, 2006). Online fund-raising has gained more attention recently. While SMS-Fundraising and online donations prove to be successful complements to offline methods, nonprofits did not use online communication for its fund-raising potential until 2013 (Ingenhoff & Koelling, 2009).

In the last several years, especially with the market entrance of international organizations such as World Vision, Save the Children and Plan International, a debate on child sponsorship is dividing the sector. ZEWO Foundation considers this fund-raising method as unethical and deprives its seal to organizations that pursue child sponsorships. According to ZEWO Foundation, child sponsorship imitates a personal relationship between the donor and the child that is not balanced, because the donor can finish the relationship at any time. Despite this opposition, the affected organizations are very successful in the fund-raising market.

1.5.2.2 Major donors

The role of major donors in Switzerland is difficult to evaluate, since no systematic information is available beyond some anecdotal knowledge. A major reason for this lack of information is the predominant Swiss principle of ‘Give and don’t speak about it’ (Scorpio, 2007), which has created among donors a reluctance to communication. Nevertheless, several facts demonstrate that
major donors play an important role in Switzerland. First of all, Switzerland is the country with one of the highest densities of millionaires (9.5 percent millionaires households (Boston Consulting Group, 2012). Second, the participatory structure of direct democracy stimulates engagement in other ways, such as donations. Consequently, major donors play an important role, particularly in the arts. For example, 61.1 percent of the museums are privately organized and thus dependent on large private donations (Beccarelli, 2005). Despite this influence, recent initiatives for a founders’ forum or a ‘Swiss Giving Pledge’ have been unsuccessful. Most large nonprofits, however, have created a position for ‘major donor fundraising’ within the last few years, indicating the growing influence of major donors. Their target groups are not only private persons but also the growing number of grant-making foundations.

1.5.2.3 The role of financial advisory professionals
As one of the major global financial marketplaces, Switzerland has a well-developed finance industry with many specialized service providers, lawyers, multifamily offices or trustees. In the field of philanthropy consulting, specialized firms offer their services globally and profit from the closeness to the networks of international organizations in Geneva. In addition, several banks have established their own internal philanthropy services. With respect to modern philanthropy approaches, LGT Venture Philanthropy is one of the internationally best-known organizations, even though the foundation celebrated its fifth anniversary only this year.

1.6 Other relevant characteristics for Switzerland
1.6.1 National fund-raising campaigns
The public broadcasting service (SRG SSR) plays a major role in the organization of national fund-raising campaigns, especially in the aftermath of conflicts or natural disasters in Switzerland or abroad. With its own foundation, Swiss Solidarity (Glückskette, 2012), SRG SSR collects money and distributes it to affiliated Swiss nonprofits. Although collection campaigns started in radio transmissions in 1946, the foundation was established in 1983. Since then, more than CHF1.1 billion (US$1 billion) have been collected. Table 16.2 lists the most successful campaigns of Swiss Solidarity.

Besides, SRG SSR started in 2009 the fund-raising campaign ‘Every cent counts’ (jeder Rappen zählt), based on a Dutch format called ‘serious request.’ The campaign runs every December for one week, with live performances and 24h broadcasting on radio and television. Each year a special issue is selected, such as malaria or water. After raising about US$10 million in the first year, the total amounts decreased steadily to about US$7 million in 2012. The campaign is criticized by traditional nonprofits, because they fear a substitution
of other donations and competition for their major fund-raising campaigns that run in December. In general, competition among fund-raising nonprofits has increased as the Swiss market for donations has become saturated (Bruhn, 2012). Aside from foreign nonprofits such as World Vision, Save the Children or Plan International that began their activities in Switzerland by raising funds for their international bodies before developing local projects, many types of institutions participate in fund-raising. State-related institutions such as universities, museums and even schools establish professional fund-raising structures in order to improve their budgets. The attractiveness of Switzerland as fund-raising market is mirrored by the fact that research institutions such as Harvard University (USA) or the Institut Pasteur (France) have established fund-raising organizations in this country.

1.6.2 Global initiatives

Being the siege of the ICRC and the United Nations, Switzerland has attracted many international organizations. Aside of humanitarian organizations, many international sports associations – foremost the International Olympic Committee (IOC) and the International Federation of Association Football (FIFA) – are located in the country. A prominent result of Switzerland’s role as a domicile of international organizations are the so-called G-Foundations, which were established in Geneva in 2000. The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), the Global Alliance for Vaccines and Immunisation (GAVI Alliance) and the Global Alliance for Improved Nutrition (GAIN) are funded by private and state donors and have developed into leading actors for global health. These international private–public partnerships – established and based in Switzerland – provide evidence for the generally supportive and constructive legal environment for nonprofits and charitable activities in Switzerland.

Table 16.2 Most successful fund-raising campaigns of Swiss Solidarity 1983–2011 (in US$ adjusted for 2012)

<table>
<thead>
<tr>
<th>Incident</th>
<th>Year</th>
<th>Total Amount (in US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Ocean Tsunami</td>
<td>2004/2005</td>
<td>302.5</td>
</tr>
<tr>
<td>Natural disaster in Switzerland</td>
<td>2000</td>
<td>155.6</td>
</tr>
<tr>
<td>(Ticino, Valais)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earthquake in Haiti</td>
<td>2010</td>
<td>68.5</td>
</tr>
<tr>
<td>War victims in Kosovo</td>
<td>1999</td>
<td>69.8</td>
</tr>
<tr>
<td>Natural disaster in Switzerland</td>
<td>2005</td>
<td>66.0</td>
</tr>
<tr>
<td>(Central Switzerland)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Swiss solidarity.
2. Explaining philanthropy in Switzerland

2.1 Data and methods

The data we use for the analysis of philanthropic giving in Switzerland comes from a study called ‘Freiwilligenmonitor 2007’ (Stadelmann-Steffen, Freitag, & Bühlmann, 2007). The purpose of the study was to get for the first time a representative overview of voluntary engagement (time and money) of people living in Switzerland. The data was gathered between September and November 2006 through computer-assisted telephone interviews (CATI) by DemoSCOPE. The study was repeated in 2009 leading to the publication, ‘Freiwilligenmonitor 2010’ (Stadelmann-Steffen, Traunmüller, Gundelach, & Freitag, 2010). For reasons of comparability with other countries in this volume, we use the data set from 2006.

The study population included all Swiss residents who either speak German, French or Italian, who are over 15 years old and live in households with registered telephone landline. Selection followed a disproportional stratified random sampling procedure. Households were drawn randomly from the Swisscom telephone directory. A letter asking for participation in the study was sent before calling the households. Target persons were selected by the birthday method when interviewers reached the household (random–random method). In total 7,410 valid interviews were conducted (58.7 percent response rate). For the logistic regression, we use a post stratification weight variable that corrects for different selection probabilities in respect to cantons and household size. It also extrapolates the sample with respects to age, nationality, gender and education to the Swiss resident population parameters.

For the logistic regression, we used ‘incidence of giving’ as a dependent variable. Respondents were asked if they have donated to any of the following organizations in the last year: (a) sport club or association, (b) church or religious institution, (c) social or charitable institution, (d) arts or culture club, (e) interest group (such as union, consumer protection group), (f) human rights or environment protection, (g) political party, (h) public service (such as fire fighters), (i) hobby and leisure club. Any positive answer to one of the categories means that the person has made a personal donation in the last year. Incidence for ‘religious giving’ was coded if (b) was 1, and ‘secular giving’ was coded for all other organizations. We only had categorical data for income and total amount donated. We recoded both variables using the median for each category to have metric data. As the survey did not ask how much money was donated to what type of organization, we could not calculate amounts given to religious or secular causes separately. The variable ‘generalized trust’ was originally coded from 1 (lowest) to 10 (highest). We recoded responses from 7 to 10 as high generalized trust. We decided to report results in Swiss Francs as data.
categories were constructed using fixed amounts. The extrapolated and consumer price adopted values in US dollars for 2012 are provided in brackets (the calculated multiplication factor is 0.9).

2.2 Descriptive results

Around three-quarters of Swiss residents donate at least once per year. Differences can be observed depending on the Swiss language regions. The German-speaking part has a higher donation rate (around 80 percent) than the French- and Italian-speaking parts of Switzerland (65 percent) (Stadelmann-Steffen et al., 2007). In total, the amount donated in 2006 is estimated to equal around CHF1.3 billion (US$1.17 billion) (about 0.3 percent of GDP). This sum does not include bequests, which are estimated to equal around CHF300 million (US$270 million). ZEWO-certified organizations have received around CHF838 million (US$754) in donations, which equals around 60 percent of all donations (ZEWO Statistik, 2007). Organizations that carry the seal have to comply with good management practices that include an adequate ratio of overhead cost, transparent report of finances, independent control structures and honest communication.

On average, Swiss donate to five different organizations per year. The main recipients of donations are organizations doing social or charitable work (50.2 percent), followed by church or religious institutions (32.7 percent) and human rights and environmental protection groups (29.7 percent). 24.3 percent reported to have donated to a sports association. Furthermore, 18.5 percent to culture and arts groups, 15.8 percent to public services and 14.5 percent to hobby and leisure clubs. Interest groups have received 13.8 percent and only 7.0 percent have given to a political party. Finally, 12.7 percent of all people donating are not members of any religion.

National donation campaigns organized by the biggest non-profit organizations or intermediary organizations such as Swiss Solidarity usually lead to extraordinary fundraising earnings. For example, in the aftermath of the 2004/2005 Tsunami, Swiss Solidarity received CHF270 million (US$243 million) in 2005 after having launched various campaigns to support the disaster victims. In 2006, the reference year of this study, Swiss Solidarity reported to have received CHF7 million (US$6.3 million) without having launched any national campaign that year, which was the lowest result in many years.

The median amount of all donations in Switzerland equaled CHF250 (US$225) in 2006. Among all donors, 25 percent gave less than CHF100 (US$90), while another 25 percent gave more than CHF550 (US$495) per year and 12.3 percent gave more than CHF1,000 (US$900). Not surprisingly, the percentage of people who give more than CHF1,000 is highest within the age group of 65 and over (16.8 percent) and lowest among teenagers with ages 15–19 years old (0.4 percent). The mean amount of CHF760 (US$684) per
household per year shows that there are some donors in Switzerland who give very high amounts.

Due to a liberal welfare regime and a stable economic situation, the Swiss population continuously donates money to social causes. Foreign aid and development is the most popular area of donations (36.1 percent), followed by programs for people suffering from illness or mental or physical disabilities (35.2 percent). Domestic poverty programs receive 32.3 percent of donations. Most surprisingly, programs for elderly people only receive 8 percent support. Of all donors, 27.8 percent reported to have given to environmental programs and 21.1 percent to children and youth programs (Table 16.3).

Table 16.3  Giving in Switzerland: Some descriptive results

<table>
<thead>
<tr>
<th>Estimated total amount of donation</th>
<th>US$1,17 bn (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Donation rate</strong></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>76</td>
</tr>
<tr>
<td>German-speaking region</td>
<td>80</td>
</tr>
<tr>
<td>French-speaking region</td>
<td>65</td>
</tr>
<tr>
<td><strong>Donation rate per age group</strong></td>
<td></td>
</tr>
<tr>
<td>15–19</td>
<td>18</td>
</tr>
<tr>
<td>20–29</td>
<td>48</td>
</tr>
<tr>
<td>30–39</td>
<td>64</td>
</tr>
<tr>
<td>50–59</td>
<td>80</td>
</tr>
<tr>
<td>Above 60</td>
<td>84</td>
</tr>
<tr>
<td><strong>Donation rate per level of education</strong></td>
<td></td>
</tr>
<tr>
<td>Without vocational training</td>
<td>52</td>
</tr>
<tr>
<td>Primary level</td>
<td>66</td>
</tr>
<tr>
<td>Secondary level</td>
<td>80</td>
</tr>
<tr>
<td>Tertiary level</td>
<td>86</td>
</tr>
<tr>
<td><strong>Main recipients of donation</strong></td>
<td></td>
</tr>
<tr>
<td>Social/charitable work</td>
<td>50.2</td>
</tr>
<tr>
<td>Church/religious institution</td>
<td>32.7</td>
</tr>
<tr>
<td>Human rights &amp; environmental protection</td>
<td>29.7</td>
</tr>
<tr>
<td>Sports association</td>
<td>24.3</td>
</tr>
<tr>
<td>Culture &amp; arts</td>
<td>18.5</td>
</tr>
<tr>
<td>Public services</td>
<td>15.8</td>
</tr>
<tr>
<td>Hobby &amp; leisure</td>
<td>14.5</td>
</tr>
<tr>
<td>Interest group</td>
<td>13.8</td>
</tr>
<tr>
<td>Political party</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td></td>
</tr>
<tr>
<td>Median donation</td>
<td>US$225</td>
</tr>
<tr>
<td>Average donation</td>
<td>US$684</td>
</tr>
</tbody>
</table>

*Note: Table is based on data from Stadelmann-Steffen et al. (2007); von Schnurbein and Bethmann (2010); Wagner and Beccarelli (2009).*
Not accounted in the numbers are numerous large-scale donations from very wealthy donors. As described above, there are no reliable numbers of their preferred areas of giving or amounts. However, especially public institutions such as art galleries or zoos frequently reported to have received individual gifts that exceed CHF1 million or even CHF10 million. In retrospect, 2006, the year this data was collected, can be regarded as an average year where no major incidences had a significant influence on donation behavior.

2.3 Explaining philanthropic giving in Switzerland

2.3.1 Incidence of giving

Table 16.4 displays the results of a logistic regression for whether or not people give to any charitable cause (total giving), to religious causes and to secular causes. In our analyses, all results turned out to be significant at the 0.01 level. The analysis of the odds ratio shows comparatively which groups are more likely to donate as a reference group.

Residents who are between 35 and 65 years old are 34 percent more likely to donate than people who are 15–34 years old. People who are over 65 years old are even twice as likely to give money to a charitable cause than the young population. Educational level also has a positive effect on the likelihood of donating. People who hold a secondary degree are twice as likely to donate than people who only have a primary or no degree. Holders of a tertiary degree are three times as likely or have a 208 percent higher probability to donate than the reference group. Women are more likely to donate than men, who have 31 percent lower probability to give to charitable causes. Married persons are 33 percent more likely to give than the group of single, divorced or widowed people. The monthly household income has a positive, although not very strong, effect on donating. For every additional CHF1,000 (US$900) that a household earns per month, the probability to donate rises by 9 percent. People living in a house that they own have a 46 percent higher probability to give than people living for rent. A similar effect can be observed with high generalized trust. People with high trust have 45 percent higher probability to donate as people with lower trust scores.

Furthermore, religious affiliation has shown to be positively related to the likelihood of giving. The general probability to donate to any cause is 59 percent higher for Roman Catholics, 103 percent for Protestants and 9 percent for members of other religions than for people unaffiliated with any religion. This relation has shown to be considerably stronger when analyzing the likelihood to give to religious organizations. Here the probability for religious giving is 400 percent higher for Roman Catholics, 479 percent higher for Protestants and 429 percent higher for other religions in comparison to secular people. Within religious giving, people who are 65 years or older have a 256 percent higher
Table 16.4  Logistic regression analysis of total, religious and secular giving in Switzerland in 2006 (N = 7,400; 2007AF)\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.773</td>
<td>0.005</td>
<td>0.462</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.293</td>
<td>0.003</td>
<td>1.341</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.719</td>
<td>0.004</td>
<td>2.053</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.676</td>
<td>0.003</td>
<td>1.967</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.122</td>
<td>0.004</td>
<td>3.072</td>
</tr>
<tr>
<td>Male</td>
<td>-0.383</td>
<td>0.002</td>
<td>0.682</td>
</tr>
<tr>
<td>Married</td>
<td>0.284</td>
<td>0.003</td>
<td>1.329</td>
</tr>
<tr>
<td>Monthly household income(^2)</td>
<td>0.093</td>
<td>0.000</td>
<td>1.098</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.377</td>
<td>0.003</td>
<td>1.458</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.461</td>
<td>0.004</td>
<td>1.586</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.711</td>
<td>0.004</td>
<td>2.035</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.085</td>
<td>0.004</td>
<td>1.089</td>
</tr>
<tr>
<td>Generalized trust(^4)</td>
<td>0.369</td>
<td>0.002</td>
<td>1.446</td>
</tr>
</tbody>
</table>

Notes: \(^1\) All results are significant at the \(p \leq 0.01\) level; \(^2\) After-tax monthly household income in CHF/1,000; \(^3\) Organizations as described above; \(^4\) Coded as 1 for values equal or higher than 7 from an original scale 1-10 with 10 being highest level of generalized trust.
probability to donate than the under 35 years old. The age group of 35–65 years sees a comparably lower increase of probability for religious giving to 67.7 percent. Education level as explaining factor still sees an 86 percent higher probability to donate for people with secondary education and 113 percent for tertiary education; however, in comparison, this effect is stronger for total giving. Religious affiliation is a much stronger explaining factor as education for religious giving. Married persons are 46 percent, home owners 37 percent and people with high trust 31 percent more likely to give. Males are 31 percent less likely to give to religious causes as women. Income shows to have little explaining power for religious giving. Even being statistically significant, the negative effect of 0.3 percent is somewhat neglectable. Increase in monthly household income shows almost no changes in the probability for religious giving.

Secular giving resembles much of the same relationships and probability factors as total giving. Age and education show a positive increase of likelihood to donate. Men are 29 percent less likely to donate to secular organizations as women. The probability factors for religious affiliations are lower as for total giving. Members of other religions even show a 13 percent lower probability to give to secular organizations.

2.3.2 Amount donated

Table 16.5 displays the results of a Tobin analysis of the natural log of the total amount people gave to any charitable cause. We could not differentiate between religious and secular giving, as the questionnaire only asked how much money a person has donated the previous year. The original answers were coded into seven categories (min ≤ 100; max > 10,000). We calculated the midpoint of each category to get metric data.

The results show that people who are between 35 and 65 years are predicted to donate 58 percent more than the reference group of people under 35 years old. Elderly persons who are over 65 years old give 101 percent more. Furthermore, education has a positive effect on the amount donated. Compared to people who only have a primary education level, people with a secondary education give 68 percent more and people with a tertiary degree are predicted to give 99 percent more. Additionally, although men are less likely to donate than women, men tend to give 13 percent more in total. Whether a person is married or not does not have an effect on the amount donated. Household income only shows a modest effect. For every thousand CHF that a household earns more per month the amount donated is predicted to increase by 9 percent. People who live in a house that they own are predicted to give 11 percent more than those living for rent. The results for religious affiliation show a mixed picture. While Roman Catholics are predicted to donate 14 percent less than people without any religious affiliation, people with other religious affiliations are predicted to give 19 percent more. There is no statistically significant effect
Table 16.5  Tobit regression analysis of the natural log of the total amount donated in Switzerland 2006 (N = 5,507; 2007AF)\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>S.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.58**</td>
<td>0.06</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>1.01**</td>
<td>0.07</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.68**</td>
<td>0.08</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.99**</td>
<td>0.07</td>
</tr>
<tr>
<td>Male</td>
<td>0.13**</td>
<td>0.04</td>
</tr>
<tr>
<td>Married</td>
<td>-0.01</td>
<td>0.05</td>
</tr>
<tr>
<td>Monthly household income(^1)</td>
<td>0.09**</td>
<td>0.01</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.12**</td>
<td>0.05</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>-0.14*</td>
<td>0.07</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.01</td>
<td>0.07</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.19*</td>
<td>0.09</td>
</tr>
<tr>
<td>Generalized trust(^2)</td>
<td>0.17**</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Notes: \(^1\)After-tax monthly household income in CHF/1,000; \(^2\)Coded as 1 for values equal or higher than 7 from an original scale of 1–10 with 10 being highest level of generalized trust; \(p \leq 0.05; \quad **p \leq 0.01\).  

when comparing the total amount donated by Protestants with secular donors. Finally, high generalized trust also shows a positive relationship with the total amount given. People with high trust are predicted to give 17 percent more.

3. Conclusion

Philanthropic giving plays an important role in the history of Switzerland. Many of today’s existing welfare services were founded privately before becoming institutionalized. Even though spending on social services is increasing, a strong sense of civic responsibility persists due to an enduring liberal tradition. The federalist structure of the country and the direct democratic system offer many opportunities for private participation and stimulate widespread engagement for the public welfare. An estimated total of 90,000 nonprofits for a population of eight million inhabitants proves the thriving significance of the philanthropic sector. The sector’s collaboration with the state is based on the principle of subsidiarity. However, the nonprofits preserve a high degree of independence in both agenda setting and financial earnings.

Philanthropy by individuals, companies and grant-making foundations is stimulated by the population’s disposable wealth, the nation’s liberal legal framework that is simple to use in practice and the international perspective.
Switzerland combines a high standard of financial services and legal stability with access to international organizations and networks. This combination makes the nation attractive for both (ultra) high net worth individuals and international nonprofits such as the ‘G-Foundations.’ Ultimately, it may lead Switzerland to become a global center of philanthropy, as the nation is already in the field of microfinance.

In 2006, 75.5 percent of the Swiss population reported to have donated to one or more charitable organizations. Most likely to give are protestants, women, people with higher education and homeowners. Higher donations in Switzerland are made by those over 65 years old, male, with high level of trust and religious affiliations other than Protestant or Roman Catholic. Swiss donors most often contribute to development aid, followed by programs for people suffering from illness or mental or physical disabilities, as well as domestic poverty programs.

Despite ongoing professionalism in fundraising, the share of donors in the population has not increased in recent years. Assuming an absence of further growth, we indicate as factors inhibiting philanthropic giving the rapid decrease of people with religious affiliation and the existing reluctance of wealthy people to talk about their philanthropic activities. Additionally, with the growing number of fund seekers within the country and from abroad, we predict the present situation to intensify in the future. The probability of people with religious affiliation to donate is significantly higher compared to secular people. Additionally, older people are more likely to have a religious affiliation than younger people. These developments may lead to a change in donor behavior in the future.

Additionally, the support of a religious affiliation for giving lies not only in the underlying values but also in the strong ties within the community. The principle of ‘give but do not speak about it’ functions as long as peers are related to each other through accordant social ties that lead to giving or other social engagement. However, as these ties loosen up, active communication about role models gains importance in order to offer guidance for a philanthropic engagement. Creating a culture of ‘philanthropic talk’ may be more effective and sustainable for future giving than tax deductions or other extrinsic incentives. Additionally, to create a culture of giving, young people need to be addressed through their own communication channels. Thus, nonprofit organizations have to develop tools for giving that are in accordance with the lifestyles of younger generations, in order for the Swiss philanthropic sector to grow in the future.

Notes

1. Throughout the middle ages, the Cantons on Swiss territory existed as independent states that were loosely connected to each other. Despite the fact that the state
constituted itself in 1848 as a federation, the name ‘Confederatio Helvetica (CH)’ was maintained.

2. For instance, a sports club is not tax exempted in Switzerland, because its primary purpose is to serve its members.

3. Sum adds up to more than 100 percent as multiple answers were possible

4. We use a Tobit regression because donation data is left censored.

References


Giving in the United Kingdom: Philanthropy Embedded in a Welfare State Society

Beth Breeze, Peter Halfpenny and Karl Wilding

1. The philanthropic landscape

1.1 History

The United Kingdom considers itself to be the birthplace of contemporary philanthropy, with a strong tradition of private giving that has been emulated and replicated around the world, most successfully by emigrants to the United States.

Historical studies show that medieval philanthropy in the United Kingdom was primarily driven by religion, manifested in building churches, sponsoring religious artists and paying priests for prayers (Rosenthal, 1972). However, the two oldest UK charities still in existence are the King’s School in Canterbury, which claims to be traced back to 597, and the Hospital of St Cross, an almshouse in Winchester which was founded between 1132 and 1136; thus, the nation also has a long tradition of private funding for education and various forms of poor relief, including accommodation and medical care (Jordan, 1959).

The context of UK philanthropy, as in all countries, is constantly evolving and in turn influencing the scale and nature of private giving. The country’s philanthropic history has experienced three key contextual changes: the Poor Relief Act of 1601; the Industrial Revolution (c.1750–1850); and the 20th-century extension of state support from the Liberal social reforms of 1905–1914 to the creation of the welfare state in the 1940s.

The Poor Relief Act of 1601 created a parish-based system of poor relief, enshrining in law the notion that the main burden of caring for others should be borne by benevolent citizens (Owen, 1965). With the Charitable Uses Act, enacted simultaneously in 1601, the state named the causes deemed appropriate for receiving private donations, which included giving aid to the elderly,
orphans, the sick and the poor, supporting schools and universities, building bridges and roads, supporting young tradesmen and helping poor maids to marry. In 1891, this list was reduced to the four heads of charity: (1) the relief of poverty, (2) the advancement of education, (3) the advancement of religion and (4) other purposes beneficial to the community. In the 21st century, there has been increasing divergence between UK jurisdictions, which has affected the legislation governing charities. The Charities Act of 2006, which applies to England and Wales, updated the definition of what causes warrant philanthropic support. The act created nine additional purposes (or ‘aims’), which largely made explicit what had already become accepted through case law as falling under the previous head of ‘other purposes.’ The added purposes include the advancement of human rights, animal welfare, amateur sport and community development. The Charities and Trustee Investment (Scotland) Act of 2005 lists 16 purposes, though the increased number arises mainly from splitting the England and Wales purposes. The Charities Act (Northern Ireland) of 2008 lists 12 heads, with some subtle differences from those in the other UK jurisdictions. Regardless of the clarifications brought about by the modernization of charity law, the definition of what causes are ‘charitable’ remains contested in public and media debates, as discussed in Lord Hodgson’s review of the Charities Act of 2006 (Cabinet Office, 2012).

During the 18th and 19th centuries, the Industrial Revolution solidified the United Kingdom’s reputation as a philanthropic nation, as private giving became a prominent, albeit limited, means of responding to the needs of the new urban poor. Philanthropists of that era built many of the public facilities that are still in use today, including schools, hospitals, libraries, parks and theatres. However, the inability of philanthropy to meet universal needs resulted in the establishment of state and mutual aid schemes to take increasing responsibility for providing basic welfare – including health care, education and accommodation – as well as financial benefits to cover periods of unemployment and sickness.

Contrary to predictions at the time, neither the creation of the state national insurance system and the Liberal social reforms of 1905–1914 (Fraser, 1984) nor the founding of a comprehensive ‘cradle-to-grave’ welfare state in the United Kingdom in the 1940s eliminated the philanthropic impulse. Instead, they displaced philanthropy into new areas that partner, complement and challenge tax-funded public sector provision (Prochaska, 1990; Cunningham & Innes, 1998). Despite the existence of a welfare state, and the high levels of taxation required to fund it, contemporary UK donors continue to support a vast and diverse array of activities in areas ranging from the arts to social welfare to scientific research. Many charitable causes, such as health and education, lie at the core of the modern welfare state, and in such cases philanthropy has continued to play an important part in supplementing and extending state provision.1
Despite the omnipresence and resilience of UK philanthropy, much public ambivalence exists about the propriety and role of private giving. For example, social attitude surveys show that the government is expected to be the main provider for social needs (Taylor-Gooby, 1993), and there is widespread concern that philanthropic funding is inappropriately targeted (Economist, 2012), is dependent on donors’ whims, enhances the power of the rich while stigmatizing its recipients and is inefficiently deployed (Ipsos Mori, 2012). Giving to overseas causes remains particularly contentious as some argue that charity should begin at home. Overseas development charities nevertheless remain resilient to media reporting of ‘donor fatigue’ (Lindstrom & Henson, 2011). Despite these concerns, the majority of people in the United Kingdom continue to make donations (NCVO/CAF, 2011), and there are many examples of successful partnerships between private and public funding, for example, in capital projects for universities, schools and hospitals and in funding medical research. However, common perceptions that all public services are, and should be, entirely organized and paid for by the tax-funded arms of the state (Doron & Harrop, 2012) leaves many UK citizens unaware of the embedded nature of philanthropic effort within the national fabric.

1.2 Size and scope of the nonprofit sector in the United Kingdom

The United Kingdom falls within Salamon and Anheier’s (1998) ‘liberal’ model of the state. Its extensive state welfare provision results in a high level of public social expenditure of 20.5 percent of GDP in 2007 (OECD, 2012), although the 2010–2015 government sought to reduce this considerably.

In the United Kingdom, charities form a subset of the nonprofit sector (Kendall & Knapp, 1996). The latter includes cooperatives and mutuals, political parties, trades unions, and clubs and societies, whereas the former are required by law to pursue exclusively charitable purposes that fall within the heads of charity (outlined above) and are for public benefit.

In 2011, there were at least 192,000 registered charities in the United Kingdom, although a significant minority are believed to be inactive. A total of 161,600 charities were registered with the Charity Commission for England and Wales, and another 23,500 charities were registered with the equivalent body in Scotland, the Office of the Scottish Charity Regulator. Compulsory registration of charities is underway in Northern Ireland in 2015, and the Charity Commission for Northern Ireland estimates that between 7,000 and 12,000 organizations will be eligible to register.

The National Council for Voluntary Organisations’ (NCVO’s) narrower ‘general charities’ definition, which excludes inactive and state-controlled bodies with charitable status, estimates that the UK-wide population of active charities to be 164,000 in 2009–2010 (Clark, Kane, Wilding, & Bass, 2012). In addition, NCVO estimates that there exist an additional 600,000 unincorporated
community groups and associations that are charitable in nature but have incomes that are too small (less than £5,000 per annum) to require them to register with regulators. Approximately 4,000 more charities are exempted or excepted from registering.

There is roughly one registered charity for every 300 people living in the United Kingdom, although the distribution of charities is sharply skewed toward the prosperous South East and away from the disadvantaged postindustrial North (Mohan, 2011). Just as charitable giving evokes significant public and media commentary, so too does the number of charities, with popular concern that there are ‘too many charities.’ While there is some evidence of duplication, the definition of charity has resulted in a rich and diverse institutional landscape. Using the ICNPO classification system, charitable organizations working in social services (31,100), culture and recreation (22,700) and religious activities (13,500) are the most numerous (Clark et al., 2012). An estimated 13,100 Parent Teacher Associations – essentially school fundraisers – highlight the close relationship between philanthropy and the state, with significant resources flowing in both directions.

Formal resources within the charitable sector are heavily skewed toward a small number of very large charities, a picture replicated in the wider nonprofit sector. An estimated 474 charities with annual revenues of £10 million or more generated 46 percent of the sector’s £36.7 billion income in 2009–2010. This group includes many of the large fund-raising charities in receipt of a disproportionate share of public donations. Conversely, 87,700 charities (54 percent of the active population) generated just 0.3 percent of the sector’s total income.

Charities are increasingly operating from a diverse resource base that includes contributions from individuals, the state, other nonprofits (mainly grant-making trusts and foundations) and for-profit businesses. Despite the rise of market-oriented transactions (equivalent to 55 percent of income in 2009–2010), voluntary income – grants and donations – remains a defining characteristic of the sector, accounting for 39 percent of total income.

Approximately 88,000 general charities received donations from individuals, highlighting the widespread importance and appeal of philanthropy. An estimated £5.95 billion in individual donations was received by charities in 2009–2010, with an additional £6.56 billion in ‘fees’ that includes a significant element of fund-raised income. Two points arise in relation to these figures: first, a disproportionate share of donations (as with other income sources) are received by a relatively small number of large, household-name fund-raising charities. Second, the demand for charitable donations from the wider nonprofit sector is increasing, particularly from universities and also from statutory bodies being ‘spun out’ into the charity sector.
These trends and characteristics of the charitable and wider nonprofit sector highlight a complex, dynamic relationship with the state, which is the focus of the next section.

1.3 Government policy toward the nonprofit sector

The promotion of philanthropy has been a long-standing aim of UK governments, with those on the right of politics seeing charitable activity as enabling a reduction of state welfare, whereas those on the left see it more as providing a complement to the limited capacity of the state. There are four ways in which UK governments have sought to encourage charitable activity: through direct funding, tax concessions, enhanced visibility and regulatory support (Kendall & Knapp, 1996). This section discusses the first three, while regulation is discussed in Section 1.4.

1.3.1 Government funding

The government provides funding to one-quarter of UK charities in the form of grants to cover core costs and/or via contracts that fund specified services. Over the last decade, some of this support has taken the form of ‘capacity building’ resource to increase the operational capacity of charities, including the ability to more effectively solicit philanthropic resources. The total support in 2009–2010 amounted to £13.9 billion, which is equivalent to 2 percent of public spending. As Figure 17.1 shows, this government funding is spread unevenly

![Figure 17.1 General charities’ income in 2009–2010, by source (% share)](image)

Source: Clark et al. (2012).
over charitable fields: it is focused primarily on organizations delivering public services under contract in areas such as welfare, work and social care.

Government grants and contracts can help leverage private contributions by signaling to donors that the organization is reputable. Since 2008 the UK government has also provided ‘matched funding’ to stimulate donations to certain causes, notably higher education and the arts. This may be a 1–1 match (whereby a donation of £1 triggers £1 from government) or a lower ratio, such as 3–1 (whereby a donation of £3 triggers £1 from government). ⁴

Despite some evidence that public funding ‘crowds in’ philanthropic contributions, and the continued existence of a number of match schemes and special tax incentives to supplement private contributions with public money, there has been a long-term decline in grant funding from the state to charities. From 2003–2004 onward, grant funding has declined £2.3 billion in real terms. Anecdotal evidence suggests this decline has particularly affected small charities, since larger organizations are better able to compete for rising levels of fee income from government contracts. Subsequently, the decline in government grants highlights the importance of philanthropic donations to fund activities such as advocacy, which are largely out of the scope of government contracts.

1.3.2 Tax concessions

Tax reliefs are probably the most widely known aspect of government support for philanthropy. The United Kingdom’s fiscal regime has encouraged giving to charities since 1986, when the government introduced tax-efficient payroll giving. In 1990, the government also established the Gift Aid scheme to refund the income tax paid on eligible donations. In 2000, both the payroll giving and Gift Aid schemes were extended by removing the lower and upper thresholds so that donations of all sizes became eligible for tax relief. Other forms of giving also attract tax breaks, including gifts of shares, securities, land, buildings and (since 2010) a 10 percent deduction on inheritance tax for donors who give away at least 10 percent of their estate to charity. The value of all tax breaks to charities amounted to £1.4 billion in 2007–2008, as shown in Table 17.1. Long-term-trend data (HMRC, 2012) indicates that the various schemes have been successful in generating additional funds for charities (through Gift Aid) and reducing the cost of giving to donors (through the other schemes), as measured by the amounts of revenue foregone by Her Majesty’s Treasury.

One consequence of the relatively high levels of taxation in the United Kingdom is that the price of giving is steeply regressive, as shown in Figure 17.2. The poorest (non-taxpayers) get no subsidy for their donations, while the wealthiest (those who pay the highest rates of tax) have the cheapest cost of giving. While there is some concern that this situation allows the rich to divert larger sums of money away from taxation revenues to their own favored causes, an attempt in 2012 to cap the maximum amount of tax reliefs that wealthy donors can
Table 17.1  The type and value of charity tax reliefs on donations in the United Kingdom in 2011–2012

<table>
<thead>
<tr>
<th>Type of charitable relief</th>
<th>Cost of tax relief (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift Aid (claimed by charities)</td>
<td>£1,075</td>
</tr>
<tr>
<td>Inheritance tax relief on legacies (claimed by donors)</td>
<td>£460</td>
</tr>
<tr>
<td>Higher rate relief (claimed by donors)</td>
<td>£360</td>
</tr>
<tr>
<td>Payroll giving (claimed by donors)</td>
<td>£30</td>
</tr>
<tr>
<td><strong>All types of tax relief</strong></td>
<td><strong>£1,925</strong></td>
</tr>
</tbody>
</table>

Source: HMRC (2012).

Figure 17.2  The cost of giving £1 to charity in 2012–2013, for people paying different rates of tax

claim (modeled on the cap at 28 percent, proposed by President Obama in the United States) was defeated in the face of widespread concerns that it would reduce overall giving at a time of deep cuts in state spending following the recent global financial crisis.

1.3.3  Enhanced visibility

The third way in which the UK government encourages philanthropy is by taking actions that enhance the visibility of charities and celebrate their supporters. This can take the form of ministerial speeches praising charities and donors, ministerial visits to charities, meetings with major donors and conferring awards, such as knighthoods, on leading philanthropists. It can also take the form of creating institutions that support and promote philanthropy. In 1994, a National Lottery was established, which raised over £25 billion for ‘good causes’ (defined as charities, sports, arts and heritage) in its first two decades. The sector’s visibility within government was enhanced in 2006 when the
Office of the Third Sector – renamed as the Office for Civil Society in 2010 – was created. Through the new Office as well as the Economic and Social Research Council, the UK government contributed £10 million of funding in 2008 to a Third Sector Research Centre and £2 million to a Centre for Giving and Philanthropy, to encourage academic study of charity and philanthropy. Additionally, the Giving White Paper (Cabinet Office, 2011) announced the creation of a new Honours Committee to recognize and celebrate more people for exceptional and sustained philanthropy.

1.4 Regulation of the nonprofit sector

Since the Elizabethan era, the legal structure in the United Kingdom has taken a leading role in supporting and supervising charitable activity. A series of new Charities Acts at the turn of the 21st century have been passed to modernize the regulatory environment, protect donors and ensure adequate accountability. The Charity Commission, established in 1853, is the body funded by government (to the tune of £26.5 million in 2011–2012) to undertake this regulatory responsibility in England and Wales. The Office of the Scottish Charity Regulator and the Charity Commission for Northern Ireland perform the same role in the other UK jurisdictions. Subject to various exceptions, all charitable organizations must register with the appropriate body and – depending on their size – must provide additional annual information about their trustees, finances and operational activities. While no set criteria exist relating to fundraising costs or size of reserves, the Commission will investigate and take action when concerns are raised. Her Majesty’s Revenue and Customs (HMRC) regulate additional requirements for charities, such as ensuring they are operated by ‘fit and proper persons.’ Overseas-based charities seeking UK tax status are also subject to additional restrictions. Furthermore, since 2007 there has been a junior government minister with responsibility for the charity sector.

Fund-raising – the solicitation of charitable donations – remains a subject of considerable public policy debate in the United Kingdom. A complex system of self-regulation is currently under review amidst public concern of irresponsible fund-raising (Cabinet Office, 2012). While these tensions are hardly new – even the Victorian Charity Organization Society complained of noisy fund-raising methods (Humphreys, 1993) – they signify an ongoing necessity to balance charities’ need for support and right to solicit with the public’s desire for privacy. Policymakers’ desire for an increase in philanthropic contributions is challenged by their seemingly contradictory interest in restricting fund-raising.

1.5 Culture

1.5.1 Religion

The United Kingdom has been a Christian country since Roman invaders introduced the religion in the 5th century. According to the 2001 UK national
census, a majority (72 percent) of citizens still identify as Christians, although subsequent surveys have given lower figures, 43 percent in the 2009 European Social Survey. A combination of low levels of regular church attendance (only 15 percent of adults at least monthly in 2007)\(^6\) and the increasing presence of other faiths as a result of immigration and demographic change has led some to believe the United Kingdom is better described as a secular or multi-faith society (Brown, 2006, 2009). Historical studies describe religion as a particularly compelling motive for philanthropy when it was viewed as means of guaranteeing salvation in the next life (Rosenthal, 1972). However, secularization has not halted the popularity of giving; some of the United Kingdom’s most celebrated philanthropists, such as Scots-born Andrew Carnegie, disassociated themselves from organized religion. Recent surveys of participation, and specifically levels of formal volunteering, suggest little variation in volunteering levels between religious and secular citizens (DCLG, 2010). Many seemingly secular charities continue to operate within a framework shaped by their religious origins (Jochum, Pratten, & Wilding 2007). There is no state church tax in the United Kingdom.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

UK charities have a combined annual voluntary income of £14.1 billion,\(^7\) which is generated by around 31,000 paid fund-raisers\(^8\) and countless voluntary fund-raisers.\(^9\) The Institute of Fundraising is a professional membership body that represents 5,200 individual fund-raisers and 350 charitable organizations that employ professional fund-raising staff. The Institute produces codes of conduct relating to different areas of fund-raising (such as street collections and sponsored events), promotes the industry in policy debates and provides certified qualifications from introductory to advanced diploma level.

UK charities’ fund-raising departments are organized in various ways. A small charity may have only one fund-raiser who attempts to raise funds from all sources, whereas a large charity will have specialized fund-raising teams, each of which focuses on an area such as community fund-raising, major donors or corporate fund-raising. The methods used are adapted to suit the type of donor. For example, impersonal direct mail may be the most appropriate and cost-efficient way to contact a large number of supporters who make small donations. However, more personalized and intensive relationships are developed with individuals capable of making substantial gifts. The costs of undertaking these different fund-raising methods vary widely; they relate to factors such as the state of the economy, how well established and regarded the charity is and the breadth of popularity (or otherwise) of the work they undertake. As Figure 17.3 shows, donating by cash remains the most popular method for giving; however, it generates smaller average donations than nearly all other methods.
Across the UK charity sector, fund-raising costs are estimated to be between 12 pence and 20 pence in the pound – far lower than public opinion estimates of this figure at 42 pence in the pound (CAF, 2011). Donors and older people make the most realistic assessment of fund-raising costs (Breeze, 2006).

1.5.2.2 Major donors
Large donations made by rich individuals are a long-standing feature of the UK philanthropic landscape. Significant donations can be rewarded with naming opportunities, such as buildings and plaques that name the major donors who funded all or part of their construction. In this way, philanthropists have become embedded in the daily life of the nation, even though the public may not always be aware that these names denote funders. To take two of many potential examples, Guy’s and St Thomas’ Hospital in London is named after Thomas Guy (1644–1724) who made his fortune investing in the South Sea Company, and the Courtauld Institute of Art, also in London, is named after Samuel Courtauld (1876–1947) whose donations and bequeathed art collection helped to found and fill the Institute.
Despite being less readily identifiable, the contributions of ‘ordinary’ (as opposed to ‘major’) donors make up the larger part of UK charities’ voluntary income. In 2011, of the total of £14.1 billion raised by charities (Clark et al., 2012), only around £1.5 billion came from the very wealthy and those who made the biggest donations (Beresford, 2011; Breeze, 2012).

Most surveys of giving in the United Kingdom do not capture the contributions of major donors, as they are rare and therefore unlikely to be included in random sampling procedures. However, two longitudinal studies have attempted to quantify the contribution of major donors in recent years. Table 17.2 summarizes the findings of the *Sunday Times* Rich List Giving Index (STRLGI), which finds a steady increase from 2004 to 2009 in both the absolute and relative sizes of philanthropic donations made by the 30 most generous people and families within the list of the United Kingdom’s richest 1,000 people and families.

The other study tracking major donors in the United Kingdom is the annual ‘Million Pound Donors Report’ (Breeze, 2008, 2009, 2010, 2011, 2012), the findings of which are summarized in Table 17.3. This study finds more stability than the STRLGI in both the number and total value of these biggest donations. It also finds that in each year the larger part of these donations are ‘banked’ into charitable trusts and foundations for distribution at a later date, rather than given directly to operating charities. Of the money that is ‘spent’ on causes, higher education is the most popular destination, followed by arts and culture then international aid and development. This differs significantly from

<table>
<thead>
<tr>
<th>Year</th>
<th>Total cash value of donations</th>
<th>Percent of wealth given away by donor ranked 30th most generous (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>£299 million</td>
<td>0.59</td>
</tr>
<tr>
<td>2005</td>
<td>£333 million</td>
<td>0.68</td>
</tr>
<tr>
<td>2006</td>
<td>£453 million</td>
<td>0.89</td>
</tr>
<tr>
<td>2007</td>
<td>£1.2 billion</td>
<td>1.36</td>
</tr>
<tr>
<td>2008</td>
<td>£2.4 billion</td>
<td>3.00</td>
</tr>
<tr>
<td>2009</td>
<td>£2.8 billion</td>
<td>4.50</td>
</tr>
<tr>
<td>2010</td>
<td>£2.5 billion</td>
<td>3.20</td>
</tr>
<tr>
<td>2011</td>
<td>£1.6 billion</td>
<td>3.42</td>
</tr>
<tr>
<td>2012</td>
<td>£1.03 billion</td>
<td>4.01</td>
</tr>
<tr>
<td>2013</td>
<td>£1.7 billion</td>
<td>2.62</td>
</tr>
</tbody>
</table>

Table 17.3 The number and total cash value of donations worth £1 million or more, made by UK major donors

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number donations of £1 million or more</th>
<th>Total cash value of donations (in billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006–2007</td>
<td>193</td>
<td>£1.618</td>
</tr>
<tr>
<td>2007–2008</td>
<td>189</td>
<td>£1.405</td>
</tr>
<tr>
<td>2008–2009</td>
<td>201</td>
<td>£1.548</td>
</tr>
<tr>
<td>2009–2010</td>
<td>174</td>
<td>£1.312</td>
</tr>
<tr>
<td>2010–2011</td>
<td>232</td>
<td>£1.241</td>
</tr>
<tr>
<td>2012*</td>
<td>197</td>
<td>£1.349</td>
</tr>
</tbody>
</table>

Note: * Shift from financial to calendar year.

the preferred causes of the mass population of ordinary givers who – as shown in Table 17.4 – prioritize medical research (especially into cancer), hospitals/hospices and children’s welfare charities (CAF/NCVO, 2011), although major and non-major donors alike are generous supporters of overseas aid.

A study of giving by wealthy donors commissioned by the UK Treasury found that this type of donor differs from the general population in perhaps expected ways: they make larger than average donations; they are more likely to give through planned methods such as regular bank deductions rather than contribute to cash collections; and they are more likely to be aware and make use of tax concessions (Taylor, Webb, & Cameron, 2007).

Finally, research has identified five key motivations of UK major donors: first, a belief in the cause that is often sparked by personal experience; second, the wish to be a catalyst for change and achieve something important that would not otherwise have happened; third, the hope that making the gift will lead to personal development and self-actualization; fourth, a belief that rich people have a duty and responsibility to be philanthropic; and fifth, a desire for enjoyable relationships with charity leaders, staff and beneficiaries (Lloyd, 2004).

1.5.2.3 The role of financial advisory professionals

The integration of philanthropy advice into broader wealth management is a relatively recent development in the United Kingdom. In 2005, Coutts & Co. bank became the first private bank to offer philanthropy advice, and by 2012 most banks with substantial numbers of wealthy clients were providing a similar service. In addition to the banking sector, philanthropy advice is also offered by a range of nonprofit and private sector bodies. In 2012, there were 38 individuals and organizations advertising their services as philanthropy advisers on the Philanthropy UK website. The extent of take-up of such advisory services, and their impact on decisions regarding the size and destination of
donations, is still largely unknown but research shows that professional philanthropy advice is of greater interest to younger major donors (Breeze & Lloyd, 2013).

1.6 Other relevant characteristics for the United Kingdom

1.6.1 Attitudes to wealth

The existence of philanthropy relies on the existence of wealth. The number of UK-based billionaires tripled between 2004 and 2007 and the combined wealth of Britain’s 1,000 richest people rose from £99 billion in 1997 to £360 billion a decade later (all figures are based on data in Beresford (2007)). Despite the economic crisis of 2008–2009, and the large financial losses experienced by many wealthy people, the collective net worth of the 1,000 people named on the annual UK Rich List had still risen to £396 billion by 2011 (Beresford, 2011). The generosity of non-wealthy people is generally applauded, but both the possession and the distribution of private fortunes are culturally problematic in the United Kingdom. From dismissals of ‘conspicuous consumerism,’ which viewed philanthropy as ‘honorific waste’ motivated by self-interest (Veblen, 1899, p. 187), to modern critiques, which describe philanthropy as ‘the rich person’s equivalent of a peacock’s tail’ (Lansley, 2006, p. 175), the United Kingdom is simultaneously proud of its philanthropic tradition and embarrassed by its contemporary philanthropists. Nevertheless, as the recent rise of food banks has shown, the nation realizes that social welfare still relies upon philanthropic support (Wilding, 2012).

1.6.2 Media coverage of philanthropy

This second relevant characteristic is directly related to the preceding paragraph, as media coverage is understood to reflect public opinion and thus cultural attitudes toward wealth. A study of ‘why rich people give,’ based on interviews with wealthy donors, found a widespread belief that the UK media has a hostile attitude to philanthropy (Lloyd, 2004). While reports of charitable giving and philanthropy do appear in the United Kingdom’s national and local newspapers, such coverage is characterized by ‘indulgence and neglect’ as most articles are superficial and contain little in-depth engagement with the topic (Deacon, 1999, p. 65). Content analysis of print media coverage of philanthropy in 2006 found there was a focus on wealth and celebrity status rather than on giving, and that the presentation of philanthropists was incoherent and riven with contradictions: philanthropy was portrayed as both an expectation and an eccentricity of the rich, which conferred authority yet also aroused contempt for the donor (Breeze, 2010b). The United Kingdom lacks coherent representations of philanthropists because UK society lacks a coherent story about wealth, whether it is kept for personal gain or given away. Despite the
United Kingdom’s history as a cradle of capitalism, the people are often uncomfortable with money-making and unsure what status to accord rich people, especially the self-made who now comprise the greater proportion of modern major donors. This lack of clarity regarding the presence and role of the wealthy and the subsequent desirability of wealth-giving results in the confused characterization of philanthropy and philanthropists in UK media coverage.

2. Explaining philanthropy in the United Kingdom

2.1 Data and measures

For the data on the United Kingdom, we use the 2005–2006 edition of UK Giving (CAF/NCVO, 2006), which is an annual longitudinal study of charitable giving that began in 1977, although the methodology has changed over time. In its present form, the same used in 2005–2006, the data is collected as part of an omnibus survey carried out by the UK Office for National Statistics (ONS), using a random probability sample of private households in Britain (i.e., not including Northern Ireland) drawn from the Postcode Address File as a sample frame. The questions on charitable giving are asked three times a year in a face-to-face survey using computer-assisted personal interviewing, in which one adult per household is asked about their individual donations to charity over the previous four weeks, with weighting to correct for the higher probability of those living in smaller households being sampled. The typical monthly sample is 1,250, and the combined sample of respondents questioned about their giving during the three waves in 2005–2006 was 3,745. No incentive is offered to respondents.

Respondents are initially asked to indicate which methods they have used to make charitable donations (e.g., by check, direct debit or cash: see Figure 17.3); then they are asked which of 15 different causes they have supported (e.g., children, elderly or the arts); and finally they are asked how much they gave by each method to each cause. This approach of asking in turn about the method of giving, then the cause, and then the amount reflects current accepted best practice in charitable giving research (Hall, 2001; O’Neill, 2001). Nevertheless, the sampling procedure probably captures very few of the wealthiest households and, therefore, the major donors.

Finally, it is worth noting that UK Giving is a survey of donors, and that it produces estimates of giving levels different to those from those derived from the recipients of philanthropy, namely, charities. Reconciliation of the estimates from the two different sources is difficult because of the methodological problems faced in drawing representative samples of either donors or recipients. The main differences in scale between estimates from the two sources appear to relate to religious giving; this discrepancy arises because churches are largely excepted from registration as charities and are therefore omitted from samples of recipients drawn from the register of charities.
2.2 Descriptive results

In 2005–2006, the total amount donated by individuals in Britain (England, Wales and Scotland) was £8.9 billion. Just less than 58 percent of the adult British population (28 million) claimed to have made at least one donation to charity during the preceding four weeks. The annual donation averaged across all British adults in 2005–2006 was £183.36\(^{11}\) and, when non-donors are excluded from the calculation, the annual donation averaged across donors almost doubles to £318.36 (CAF/NCVO, 2006). British donors support a wide range of causes, reflecting the broad definition of charity enshrined in UK law, as well as the existence of a large number of registered nonprofit organizations. Table 17.4 illustrates how donations were distributed across the 15 different causes listed in the survey by percentage of donors and by size of donations in 2005–2006.

Medical research, particularly into cancer, is consistently the most popular destination for UK donations. Cancer Research UK has been the top fundraising charity since its formation in 2002 (Pharoah, 2011). Despite having a nationalized health service, hospitals attract a similar level of support, and slightly higher donations, than charities helping children. Overseas causes, also known as ‘international aid and development,’ are popular with both the mass of donors and major donors, as discussed in Section 1.5.2.2.

Table 17.4 Percentage of donors and average amount donated among donors to different charitable sectors in Britain in 2005 (N = 3,787; UK Giving, 2005–2006)

<table>
<thead>
<tr>
<th>Charitable causes</th>
<th>Donors (in %)</th>
<th>Conditional donation (in US dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>23</td>
<td>331</td>
</tr>
<tr>
<td>Children</td>
<td>14</td>
<td>299</td>
</tr>
<tr>
<td>Hospitals</td>
<td>14</td>
<td>352</td>
</tr>
<tr>
<td>Overseas</td>
<td>11</td>
<td>469</td>
</tr>
<tr>
<td>Animals</td>
<td>8</td>
<td>331</td>
</tr>
<tr>
<td>Disabled</td>
<td>8</td>
<td>276</td>
</tr>
<tr>
<td>Religious</td>
<td>7</td>
<td>894</td>
</tr>
<tr>
<td>Education</td>
<td>5</td>
<td>346</td>
</tr>
<tr>
<td>Homeless</td>
<td>5</td>
<td>186</td>
</tr>
<tr>
<td>Elderly</td>
<td>4</td>
<td>233</td>
</tr>
<tr>
<td>Health</td>
<td>4</td>
<td>229</td>
</tr>
<tr>
<td>Environment</td>
<td>3</td>
<td>227</td>
</tr>
<tr>
<td>Sport</td>
<td>2</td>
<td>309</td>
</tr>
<tr>
<td>Arts</td>
<td>1</td>
<td>497</td>
</tr>
<tr>
<td>Other causes</td>
<td>6</td>
<td>254</td>
</tr>
<tr>
<td>Total secular causes</td>
<td>56</td>
<td>620</td>
</tr>
<tr>
<td>Total religious causes</td>
<td>7</td>
<td>894</td>
</tr>
<tr>
<td>Total all causes</td>
<td>59</td>
<td>714</td>
</tr>
</tbody>
</table>
2.3 Explaining philanthropic giving in the United Kingdom

In this section, we explore the relationships between characteristics known to influence philanthropic behavior, the likelihood of giving and the amount given to different types of charitable organizations.

2.3.1 Incidence of giving

Table 17.5 presents the results of a logistic regression analysis of whether or not people give to any charitable cause (total giving), to religious causes and to secular causes. As no data was collected on donors’ religiosity or religious motivation, it is important to note that the ‘Religious giving’ column refers only to that small fraction of cases (7 percent) where respondents indicated that they made a donation to a religious cause.

Five of the factors included in the analysis are found to affect the likelihood of making any sort of donation. Males are 37 percent less likely than females to make any sort of gift. People of ages 35 to 65 are 28 percent more likely to give than those aged less than 35; similarly, those aged more than 65 are 24 percent more likely to give than those aged less than 35. Having a higher level of education is positively correlated with likelihood to give; those who have attended higher education are almost twice as likely to give than those who have only completed secondary education. Being married raises the odds of giving by 31 percent over being single. Finally, homeowners are 17 percent more likely to give over non-homeowners.

While the separate analyses for religious and secular giving, as indicated above, should be treated with caution, these figures do suggest that people of older age groups and with a tertiary education are substantially more likely to give to religious causes.

2.3.2 Amount donated

Table 17.6 presents the results from a Tobit regression analysis of the natural log of the total amount people gave to any charitable cause, to religious charitable causes and to secular charitable causes in 2005.\textsuperscript{13}

The results show that all of the donor characteristics included in the analysis have an impact on the amount donated. Gender matters: men donate 42 percent less money than women to all types of causes and 39 percent less to secular causes. Age matters as well: the oldest age group (aged 65 or more) gives 32 percent more than the below 35 age group to all causes and 20 percent more to religious causes. The enthusiasm of this older generation for giving to religious causes means that the middle age group (aged 35 to 64) gives slightly larger donations to secular causes. Compared to people aged 34-year-old or younger, people in the age group 35 to 64 give 28 percent more money to secular causes,
Table 17.5  Logistic regression analysis of total, religious and secular giving in the United Kingdom in 2005 (N = 3,745; UK Giving, 2005–2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beta coefficient (B)</td>
<td>Standard Error (S.E.)</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>−0.441**</td>
<td>0.001</td>
<td>0.643</td>
</tr>
<tr>
<td>Aged less than 35 (reference group)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Aged between 35 and 64</td>
<td>0.246**</td>
<td>0</td>
<td>1.279</td>
</tr>
<tr>
<td>Aged 65 or more</td>
<td>0.214**</td>
<td>0.001</td>
<td>1.239</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.394**</td>
<td>0</td>
<td>1.483</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.641**</td>
<td>0.001</td>
<td>1.898</td>
</tr>
<tr>
<td>Male</td>
<td>−0.456**</td>
<td>0</td>
<td>0.634</td>
</tr>
<tr>
<td>Married</td>
<td>0.267**</td>
<td>0</td>
<td>1.306</td>
</tr>
<tr>
<td>Individual Income17</td>
<td>0**</td>
<td>0</td>
<td>1.000</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.154**</td>
<td>0</td>
<td>1.166</td>
</tr>
</tbody>
</table>

Note. After-tax income in UK sterling/1,000; **p ≤ 0.01.
Table 17.6 Tobit regression analysis of the natural log of the total amount donated in the United Kingdom in 2005–2006 (N = 3,745; UK Giving, 2005–2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>B</td>
</tr>
<tr>
<td>Aged less than 35 (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 64</td>
<td>0.28**</td>
<td>0.07</td>
<td>0.07*</td>
</tr>
<tr>
<td>Aged 65 or more</td>
<td>0.32**</td>
<td>0.08</td>
<td>0.20**</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.41**</td>
<td>0.07</td>
<td>0.10**</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.65**</td>
<td>0.08</td>
<td>0.23**</td>
</tr>
<tr>
<td>Male</td>
<td>–0.42**</td>
<td>0.05</td>
<td>–0.08**</td>
</tr>
<tr>
<td>Married</td>
<td>0.14**</td>
<td>0.05</td>
<td>0.06**</td>
</tr>
<tr>
<td>Individual income</td>
<td>0**</td>
<td>0</td>
<td>0*</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.20**</td>
<td>0.06</td>
<td>0.06*</td>
</tr>
</tbody>
</table>

Note: After-tax income in GB sterling/1,000; **p ≤ 0.01.

and those in the age group 65 or more give 25 percent more money to secular causes. Being married is shown to have a positive influence on the size of donations, as does home ownership.

3. Conclusion

The strong historic tradition of philanthropy in the United Kingdom combined with the fact that a majority of the population participate in giving make philanthropy a normative aspect of daily life in the country. Donations made by past and present philanthropists have become embedded in the national fabric, and continue to provide societal benefit, whether or not the public is aware of such contributions. In the United Kingdom, the relationship between philanthropy and the state is not straightforward. Despite the scope of the UK welfare state, philanthropic funding often works in partnership with public expenditure, most notably in the cases of hospitals, schools and universities. Private donations are used to fund alternatives to state provision; for example, in child welfare and the emergency service at sea. Furthermore, they are a means to challenging the public sector, for example, by funding campaigns to change laws.

Despite the omnipresence of philanthropy in the United Kingdom, actual levels of giving are not particularly high. The United Kingdom can lay claim to some of the most distinguished names in global philanthropy, such as the Scots-born Andrew Carnegie, the pharmacist Henry Wellcome, whose bequest founded the Wellcome Trust which in 2012 was the second biggest charitable foundation in the world, and the Sainsbury family, whose network of family
trusts funds charitable activity across the United Kingdom and the world. However, data shows that these are exceptions rather than the norm. In our analysis, we found that almost half the population had not made any donation in the preceding four weeks, and those who had were most likely to have simply dropped spare change into a collecting tin.

Despite a rapidly expanding economy at the end of the 20th century until the financial crash of 2008, the value of charitable donations did not rise in line with increases in wealth. Levels of philanthropic spending are extremely low in comparison to the amount that individuals spend on goods and services for their own consumption, as well as in comparison to the amount the government spends on public services. Nevertheless, while levels of giving have remained largely static, expenditure on ethical goods and services has increased rapidly (NCVO, 2011), suggesting that prosocial individuals, abetted by enterprising charities and emerging social enterprises, are finding alternative vehicles for their ‘philanthropic’ impulse. Thus, the United Kingdom continues to describe itself as a ‘generous society.’ A positive interpretation of current low levels of giving is that, despite being in the midst of a difficult economic situation, the nation has much untapped potential for increased levels of donations in the years to come.

Notes

1. For example, Department of Health estimates that 37 percent of National Health Service clinical case studies in 2009–2010 were funded by medical research charities (Department of Health, 2012).
2. The International Classification of Non-profit Organizations’ (ICNPO) definition and estimates of numbers of charities are applied to the 163,000 active general charities identified by NCVO. This definition excludes organizations whose primary purpose is the promotion of religion.
3. See, for example, the Coalition government’s ‘Giving White Paper’ (Cabinet Office, 2011) and the Labour government’s (2005) ‘A Generous Society.’
4. See, for example, http://www.catalyst-artsandheritage.org.uk/.
5. For updated totals, see http://www.lotterygoodcauses.org.uk.
7. This total includes grants and legacies, and it is likely to exclude some other forms of fund-raised income. This estimate does not include university fund-raising (Clark et al., 2012).
8. Unpublished NCVO research.
9. According to the Cabinet Office Helping Out survey 2007, 65 percent of volunteers are involved in ‘raising or handling money’ (Cabinet Office, 2007).
10. The STRLGI names the 30 most generous members from the 1,000 names on the annual Rich List, so this column refers to the last name. In 2008, the Giving Index expanded to 50 names, but for purposes of continuity, this column continues to record the relative size of the donations made by the 30th name on the list.
11. This average donation relates to the unconditional donation, the average amount both non-donor and donor households donated.
12. This variable refers to people who indicated that they gave to a religious cause rather than had a religious motivation.
13. As respondents reported income in bands, we calculated midpoints, which explains the results in this row.
14. We use a Tobit regression because donation data is left-censored: people cannot give less than zero. The results of a Tobit regression can be interpreted in a similar manner as OLS regression analyses, with the exception that the linear effect is predicted on the uncensored latent dependent variable, and not on the actual observed outcome. See for more information (Long, 1997; UCLA Academic Technology Services, 2012).
15. This column presents the incidence of giving to all types of causes (i.e., both religious and secular giving).
16. ‘Religious giving’ is defined as giving to a religious cause, rather than the presence of a religious motivation.
17. ‘Secular giving’ is defined as all gifts other than those made to religious causes.
18. Religious giving is defined as giving to a religious cause, rather than the presence of a religious motivation.
19. Secular giving is defined as all gifts other than those made to religious causes.
20. For example, the NSPCC (National Society for the Prevention of Cruelty to Children) is one of the United Kingdom’s most consistently popular fund-raising charities, despite its activities being similar to those carried out by government-funded child welfare offices.
21. The RNLI (Royal National Lifeboat Institution), which saves lives at sea, is also one of the United Kingdom’s most consistently popular fund-raising charities; however, it declines to accept any government funding on the basis that it would jeopardize the organization’s ability to fully control its operational activities.

References


Giving in Egypt: Evolving Charitable Traditions in a Changing Political Economy

Catherine Herrold

1. The philanthropic landscape

1.1 History

The custom of charitable giving is deeply rooted in Egyptian society and is linked to the concept of *takaful*, or social solidarity (Ibrahim & Sherif, 2008). Prior to the 20th century, the majority of welfare and social services provided throughout the Ottoman Empire were funded through charitable endowments called *awqaf* (*waqf*, singular), or Islamic trusts (Peri, 1992; Cizakca, 1998; Hoexter, 1998; Kuran, 2001; Shatzmiller, 2001; Pioppi, 2007). Economic and political elites established public *awqaf* as pious acts, earmarking a part of their property for the *waqf* and designating the endowment’s proceeds for a specific and inalienable public purpose (Pioppi, 2007). *Waqf* funds supported schools, hospitals, religious halls, shelters, soup kitchens, monuments and a variety of other community infrastructures. *Awqaf* also provided private benefits for their founders, helping the donor to feel closer to God through their acts of charity while shielding the donor’s wealth from Islamic inheritance laws (Kuran, 2001).

*Awqaf* constituted a significant part of the Egyptian economy until the mid-20th century. Beginning in 1952, *awqaf* fell out of favor as the government of President Gamal Abdel Nasser nationalized the state’s welfare system. In 1954, Egypt’s Ministry of Awqaf appropriated all *awqaf* and eliminated the roles of private donors and administrators. Over the following decade, schools, hospitals and other service-providing *awqaf* were transferred from the Ministry of Awqaf to Ministries of Education, Health and other relevant government bodies. This *waqf* reform coincided with the expansion of government intervention in the country’s economic, political and social systems (Pioppi, 2007; Atia, 2013).

Private, institutionalized giving began to re-emerge in the 1970s under President Anwar Sadat. In the process of implementing an open-door policy (*infitah*)
designed to encourage foreign investment and build a private sector, Sadat executed a *waqf* counter-reform that brought *awqaf* back under the Ministry of Awqaf. This action served as a first step in beginning to restore the institution to its origins in Islamic charity (Pioppi, 2007). From the 1980s through 2000s, President Hosni Mubarak led Egypt further down a path of neoliberal economic reform instituting a structural adjustment policy that extended privatization policies and reduced the state’s role in public service provision (Atia, 2013).

In order to compensate for the government’s retreat from the welfare sphere, the Mubarak regime looked to private philanthropy to support Egypt’s burgeoning nonprofit sector. While *waqf* properties remained largely nationalized, a number of wealthy individuals established philanthropic foundations to channel family and corporate gifts to nonprofit organizations (NPOs). In building these new foundations, Egypt’s philanthropists sought to integrate traditional charitable norms of community-based giving with more institutionalized and strategic forms of grant-making that were common among Western donors. These new foundations were largely secular in nature. Islamic groups continued to give through more religiously oriented organizations. Islamic social institutions formed a national network of charitable institutions that addressed needs in areas such as education, health, employment, housing and food (Sullivan, 1994; Clark, 2004).

### 1.2 Size and scope of the nonprofit sector in Egypt

In 2011, Egypt was home to approximately 30,000 registered NPOs and nearly 700 philanthropic foundations, serving a population of approximately 85 million people (Abdou, Atia, Hussein, Kharas, & Maaty, 2011). NPOs primarily provided services, while foundations combined service provision with grantmaking to NPOs. Salamon and Anheier’s (1998) corporatist model best represents the type of relationship that the Mubarak regime maintained with Egypt’s nonprofit and philanthropic sectors (see also Abdelrahman, 2004). As the government privatized Egypt’s economy and welfare system, it co-opted NPOs and foundations into ‘performing certain functions of the state’ (Soliman, 2011, p. 125). Using a mixture of incentives and tight regulations, the regime ensured that the nonprofit and philanthropic sectors dutifully filled the gaps in social service provision that emerged during privatization.

Despite efforts to privatize Egypt’s economy, public expenditures still accounted for a large portion of the country’s GDP, totaling to nearly 27 percent in 2007 (Malaiyandi, 2010). Most NPOs in Egypt served as complements, not alternatives or adversaries, to the state. With the exception of a small number of human rights organizations that advocated for policy change, most Egyptian NPOs did not challenge the state. Instead, they assisted the state in carrying out social welfare functions.
1.3 Government policy in the nonprofit sector

1.3.1 Government support

Egyptian NPOs derive most of their income from fees for services and from donations from individuals, corporations, philanthropic foundations and banks. Approximately 36 percent of Egypt’s NPOs also receive government subsidies (Kandil, Toepler, & Salamon, 2004). While precise revenue figures are unavailable, estimates suggest that government funding accounts for around 10 percent of total Egyptian NPO revenues (LaTowsky, 1997; Kandil et al., 2004). NPOs also receive government funding to carry out state-sponsored projects and include government-paid employees in some economic and social development projects. In 1997, nearly 10 percent of the official Egyptian nonprofit sector’s workforce was on loan from the national government (Kandil et al., 2004).

Until it was unseated in Egypt’s January 25, 2011, revolution, the Mubarak regime used NPOs as a strategic tool to consolidate power. The proliferation of NPOs presented a guise of liberalism to both domestic and international observers and simultaneously allowed the government to extend its tactics of ‘divide and rule’ (Brumberg, 2003). By fostering competition among Egypt’s NPOs, the regime prevented organizations from acting collectively to form an effective bloc against the government. Strict oversight of the nonprofit sector also allowed the government to keep a pulse on society and quell protests before they emerged as serious threats (Wiktorowicz, 2000). In addition, NPOs served as ‘pressure release valves’ (Yerkes, 2012) by offering citizens an opportunity to participate in society, albeit minimally. This false sense of civic agency further diminished the likelihood that society would rise up against the regime.

After the January 25th revolution, a transitional government led by the Supreme Council of the Armed Forces (SCAF) came to power. In June of 2012, Mohamed Morsi was installed as Egypt’s first democratically elected president. Both the SCAF and the Morsi regime cracked down on NPOs in even more repressive ways than the Mubarak regime. In July of 2013, President Morsi was overthrown by a military coup and a second transitional government took power. Early signs suggested that the new government would continue the tradition of repression. In December of 2013, police forces raided the offices of the human rights organization Egyptian Center for Economic and Social rights, and a Law of Associations that drastically limited NPO freedoms was being considered for passage.

1.3.2 Fiscal incentives

Egypt maintains a progressive income tax system. Under a tax law approved in May of 2013, individuals pay up to 25 percent of their income in income taxes (El-Din, 2013). Both individuals and corporations may claim tax deductions of up to 10 percent of their taxable income if they donate cash or goods
to approved organizations. However, according to El-Daly (2007), Egypt’s tax exemption for charitable donations does not serve as a primary motivator for giving. In fact, many Egyptians believe that donations driven by tax incentives are illegitimate. Giving is considered a pious obligation that should be done anonymously in the name and honor of God, visible only to Him. The act of publically declaring charitable gifts largely remains a cultural taboo in Egypt. Thus, Egyptians often choose not to claim a tax deduction when making charitable donations.

1.4 Regulation of the nonprofit sector

Egypt’s Law of Associations, Law 84 of 2002, is one of the most restrictive nonprofit sector regulatory laws in the Arab world. The law brings both NPOs and philanthropic foundations under its jurisdiction and gives Egypt’s Ministry of Social Solidarity (MOSS) sweeping powers over these organizations from the time of their establishment until the end of their dissolution (International Center for Not-for-Profit Law, 2013).

Law 84 of 2002 requires all organizations to register with MOSS and allows government officials to deny an organization’s registration request on very vague grounds. Even organizations that manage to register face obstacles in carrying out their activities. The law prohibits organizations from engaging in any activity, ‘threatening national unity, violating public order or morals, or calling for discrimination between citizens of race, origin, color, language, religion or creed’ (Government of Egypt, 2002). Another provision of the law forbids NPOs and foundations from undertaking activities that could be deemed political. Staff members of organizations that violate these restrictions may face imprisonment, and their organizations may be dissolved.

Egyptian NPOs also encounter restrictions on fund-raising. Under Law 84 of 2002, all funds originating from abroad require approval from MOSS. Such approval should occur within 60 days; however, funds are occasionally held up in the approval process for a year or more. Often the delay is a deliberate political decision, but MOSS’s ‘bureaucratic disorganization’ (Yerkes, 2012) also slows the approval process.

1.5 Culture

1.5.1 Religion

Egypt is a predominantly Islamic country, with approximately 90 percent of the population identifying as Muslim. The remaining 10 percent of Egyptians are Coptic or other Christians. Approximately 25 percent of Egyptians attend religious services at least weekly (World Values Survey, 2011). Islam is the official state religion, and principles of Sharia serve as the main source of state legislation. Egypt’s constitution, approved in a referendum that took place

Religion serves as the primary motivator for giving among both Muslims and Christians. The third pillar of Islam requires Muslims to give annual zakat contributions of 2.5 percent of their income, and many Muslims also offer sadaqa, or voluntary gifts. *Ushur* is the tithe incumbent upon Christians and is traditionally 10 percent of an individual’s wealth (Atia, 2013).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

In recent decades, attitudes about philanthropy began to change. The Egyptian government, along with international and Egyptian donors, encouraged Egyptian NPOs to be more developmental in their activities rather than rely on the traditional charity model that operated primarily through handouts to the needy. A number of Egyptian individuals and corporations established philanthropic foundations to channel donations to development-oriented NPOs. In addition, many corporations created Corporate Social Responsibility (CSR) departments that offered grants to local NPOs engaged in development work.

Despite this proliferation of philanthropic resources available to support development activities, Egyptian NPOs struggle to raise funds. Egypt’s foundation and CSR sectors remain in relatively nascent stages, with resources that are not nearly sufficient to sustain Egypt’s 30,000 NPOs. Furthermore, many Egyptians continue to prefer to give to individuals rather than to formal organizations, which they do not fully trust.

As a result, many Egyptian NPOs seek funds from abroad, either through international philanthropic foundations or through international aid agencies. Organizations soliciting foreign funds face two major hurdles. First, the government tightly scrutinizes funds originating from international organizations and has been known to refuse funds for projects that it suspects might pose political challenges. Second, international funds are seen as carrying foreign agendas. Organizations that rely heavily on international grants have been accused of serving foreign, rather than local, interests.

Despite the challenges posed by deep-seated cultural norms, some Egyptian NPOs have managed to build a loyal and trusting base of local donors. The Egyptian Food Bank has been particularly successful in soliciting both monetary and food donations from local individuals. The food bank’s model reflects a broader trend in the Arab region, where organizations solicit zakat or sadaqa contributions and then channel them to needy populations. The success of these organizations suggests that attitudes toward giving to organizations are gradually changing, with Egyptians becoming more open to donating to formal NPOs.
1.5.2.2 Major donors

Because there are limited data available about individual giving in Egypt, and because many Egyptians prefer to give anonymously, it is difficult to assess the landscape of major donors in Egypt. The emergence of Egyptian philanthropic foundations, however, offers some insights into the growing role of major donors. While not all foundation grants are disclosed, we know from the very existence of foundations that some of Egypt’s most successful business people have also taken on roles as major philanthropic donors.

The rise of secular foundations in Egypt was met with mixed reviews. The Mubarak regime encouraged the growth of foundations, but many Egyptians question the motives of these major donors. Corporate elites battle allegations of corruption and are widely seen as having benefitted from economic privatization at the expense of the lower classes. Norms of transparency and accountability continue to be debated within the philanthropic sector, making it difficult for the public to assess foundations’ activities and contributions. Slowly, however, philanthropic foundations are becoming more widely accepted in Egypt.

1.5.2.3 The role of financial advisory professionals

In order to cultivate a stronger Arab philanthropic sector capable of more fully sustaining local NPOs, a group of Arab philanthropy and development experts created the Arab Foundations Forum (AFF). Established in 2009, the AFF provides a forum for Arab foundations to discuss emerging best practices and to strategize ways to build the field of Arab philanthropy. The group has grown to over 35 members and includes many Egyptian foundations. The World Congress of Muslim Philanthropists, while not geographically focused, also provides an outlet through which Egyptian philanthropists devise ways to develop the local philanthropic and nonprofit sectors. In addition, SAANED for Development and Philanthropy Advisory in the Arab region was recently established to provide Arab foundations with information on regulations, best practices, and effective evaluation strategies among foundations in the Arab region.

1.6 Other relevant characteristics for Egypt

1.6.1 Impacts of the January 25th revolution

Egypt’s January 25th revolution did more than usher in a new government. It also unleashed a spirit of community development and civic engagement that had for decades been repressed by authoritarian rule. While the civil society on display in Cairo’s Tahrir Square during the days of the revolution was largely unorganized, many protestors established NPOs shortly after the uprisings in order to build upon the revolution’s success and contribute to Egypt’s political transition. During the revolution, residents of a variety of neighborhoods established legan, or popular committees, to protect their communities from
insecurity and looting. While some of those committees dissolved in the wake of the revolution, others remained organized and sought to formally register as NPOs. In addition, many supporters of the revolution created new NPOs that aimed to involve local community members in development initiatives. Building upon a vibrant spirit of voluntarism, these organizations solicited funds, in-kind support and volunteer service as they attempted to build democracy from the grassroots level. While it is too early to determine the results of these efforts, some signs suggest that the local rootedness of these new organizations garnered trust and support from a previously less-engaged public.

1.6.2 Government crackdown
The Egyptian government did not welcome these initiatives. In what was described by Egyptian human rights organizations as a ‘smear campaign’ (Cairo Institute for Human Rights Studies, 2011), the SCAF, along with the Ministry of Social Solidarity, the Ministry of International Cooperation, and the media, launched a widespread investigation of international NPOs, NPOs receiving funding from abroad and NPOs working on issues of democracy and good governance in mid-2011. The impacts of this campaign extended into the rest of Egypt’s nonprofit sector. The government’s crackdown instilled skepticism of NPOs in the general public. As a result, even local development NPOs that received no foreign funds or administered democracy promotion projects felt threatened. Egypt’s NPOs continued their work with determination, but the government crackdown, which continued at the time of this writing, took a toll on their legitimacy among the public.

2. Conclusion
Egypt has a rich philanthropic history. Since pre-Ottoman times, Egyptians have generously provided private resources for the provision of public goods. When the Egyptian government nationalized endowment institutions, or awqaf, in the middle of the 20th century, Egyptians continued to make charitable gifts to individuals through religious tithes of zakat and ushur and through voluntary gifts of sadaqa. NPOs proliferated under the economic privatization policies of Presidents Sadat and Mubarak, and over the past couple of decades Egyptian individuals and corporations began to channel their giving through philanthropic foundations.

While many Egyptians continue to prefer to make anonymous charitable gifts to individuals who are close to them (e.g., family members, friends and community members in need), there is a growing trend in Egypt toward more institutionalized giving and volunteering. Local and regional organizations dedicated to providing food and other necessities to the poor are successfully soliciting contributions to be distributed to needy populations
throughout Egypt and the global Muslim diaspora. Community groups, many of which sprang up spontaneously during the January 25th revolution, are registering as formal organizations and contributing to a growing trend of community-based philanthropy. Furthermore, a number of the revolutionary youth who remained unaffiliated to organizations during the uprisings are now establishing NPOs supported by small contributions and many volunteers.

Despite efforts of transitional governments and of the Morsi regime to control Egypt’s nonprofit sector, a spirit of creative voluntarism has been unleashed and is unlikely to be quelled by recent government crackdowns. The political uncertainty and economic challenges that have marked the first three years of Egypt’s political transition pose a number of challenges for Egypt’s NPOs and philanthropic foundations, and many organizations are still adapting to a constantly changing environment. While the future of Egypt’s nonprofit and philanthropic sectors is unpredictable, the people’s dedication to charitable giving and voluntarism provides strong support for the sectors’ development.

References


Giving in Israel: From Old Religious Traditions to an Emerging Culture of Philanthropy

Hagai Katz and Itay Greenspan

1. The philanthropic landscape

1.1 History

Israel’s rich philanthropic landscape dates back to biblical times, showing both change and continuity throughout the years. The modern era of Israel’s history can be divided into four different periods: (1) prior to the 1880s, (2) the pre-state era, from the 1880s to 1948, (3) the statist era, from 1948 to the mid-1970s, and (4) the pluralist era, from the mid-1970s to the present (Gidron et al., 2003; Haski-Leventhal & Kabalo, 2009).

The long history up to 1880 can be summarized roughly into two strains: Jewish Diaspora life and the old Jewish, Muslim and Christian religious communities in Palestine. Both strains exemplify rich associational life and philanthropic traditions, with the latter drawing on religious values of the three monotheistic religions, and the former reflecting long-lasting forms of social organization and service provision, in an attempt to maintain religious autonomy under a less than sympathetic rule. In the Jewish Diaspora, a plethora of self-reliant charitable institutions were established; while these institutions were predominantly religious in character, processes of secularization and professionalization similar to those in Europe and North America also took place. In Palestine, a Jewish community developed in the old cities (the Old Yishuv), which also organized charitable religious organizations that were mainly financed by religiously motivated donations from the Jewish Diaspora. Palestine’s Muslim, Christian and other communities were characterized by a traditional kinship-based social organization system, accompanied by predominantly religious but also some social and political organization, mostly managed through the Waqf model and reliant mostly on local religiously motivated giving (Singer, 2008).
The change in the 1880s was marked by waves of Jewish Zionist immigration into Palestine, a growing number of Jewish towns and kibbutzim, the establishment of the New Yishuv and a nascent political and social services system predating the Jewish state to be. Haski-Leventhal and Kabalo (2009) break this period into two subperiods: the Ottoman Empire period (up to 1917) and the British Mandate period (1917–1948). Under Ottoman rule, old patterns of philanthropy continued with the support of new players: major Jewish philanthropists such as Rothschild, Montefiore and others who supported the emerging rural Jewish communities. During the British Mandate, the epitome of the philanthropic landscape was the growing centrality of the Zionist movement in the development and funding of the New Yishuv in Palestine. The Zionist movement had a dual attitude toward philanthropy, seeing it as a demeaning habit of the Diaspora yet also an effective instrument of political and financial mobilization. Nevertheless, this dualism did not stop the Zionist movement from developing elaborate fund-raising systems, both on a local and an international scope. As the international Zionist movement developed, its institutions became the dominant funders of the pre-state social and economic systems. Fund-raising institutions such as the Jewish National Fund (JNF) and the Bonds collected funds among the Jews in North America and Europe through synagogues, community organizations and the Jewish educational system. These were transferred, mainly by the Jewish Agency, to support nation-building efforts in Palestine. Gradually, local fund-raising systems developed as well that were mostly managed by the Zionist proto-state institutions but also by emerging independent associations and philanthropic institutions. Among the Jewish Zionist public in the Yishuv, fund-raising commonly took the form of a semi-formal tax used for the development of the future Jewish state. Zionist institutions were split along ideological lines (such as socialist, liberal-national and religious), each running its own system of social services, fund-raising and funding mechanisms. Among the old Yishuv and the non-Jewish communities, traditional patterns and systems persisted.

The third period of Israel’s philanthropic history began in 1948, when the state of Israel was established and dramatically shifted power toward the new government. The Zionist movement willingly aligned with the state and its policies. Many existing nonprofit systems of services were nationalized fully or partially, while others – including the Zionist fund-raising and funding systems of the previous period – became National Institutions controlled by the state, some more formally than others. Nonetheless, several elements of the pre-state systems were left alone for political reasons, and a lively civil society continued to organize and act, despite statist and centralized pressures (Kabalo, 2006). Political agreements granted some autonomy to the Ultra-Orthodox Jewish communities of the old Yishuv, which continued to maintain their existing philanthropic institutions and practices. The Arab communities were placed
under military rule, which restricted existing organizations that remained after
the 1948 war and prevented the development of new ones (Payes, 2003). How-
ever, the lifting of the military rule in 1966 allowed for a slow regeneration
of civic life among the Arab Palestinian population in Israel. While major phi-
lanthropy mostly came to Israel from abroad, local philanthropy continued
to develop, leading to the establishment of local chapters of American Jewish
foundations, and the developing of fund-raising events and other initiatives by
major service nonprofit organizations.

Since the mid-late 1970s, Israel has faced dramatic social, economic and polit-
cal changes. As statist ideologies have waned, the country’s civil society has
flourished, booming in activity and scope. The gradual weakening in the cen-
trality of the state and the political parties, combined with the strengthening
of globalization, individualism and pluralism in both Israel and its supporting
Jewish communities, catalyzed changes in the philanthropic relations between
Israel and the Jewish Diaspora. The centralized funneling of Jewish donations
to Israel through the mechanisms of the Zionist movement and in line with
government policies has been changing gradually into a more individualistic
and designated fashion of philanthropy. Local philanthropy has grown dramatic-
ally, in both scope and diversity. While Israel’s philanthropic culture is still in
its infancy, the country has witnessed in the last 20–30 years the emergence of
local elite philanthropy, local corporate philanthropy, Israeli foundations and
new fund-raising tactics and strategies within the booming nonprofit sector
(Gidron, Schlanger, & Elon, 2008; Haski-Leventhal & Kabalo, 2009; Schmid &
Rudich-Cohn, 2012).

1.2 Size and scope of the nonprofit sector in Israel

Over 50,000 nonprofit organizations have been established in Israel since the
Law of Associations (Amutot) was enacted in 1980. How many of those are cur-
rently active is an issue of controversy: estimates range from 15,000, based on
the number of organizations filing annual reports with the Israeli Tax Commis-
sioner, to 34,398, according to the data of the Registrar of Associations (Limor,
2012). Despite a decline in numbers in the last few years, possibly due to the
global financial crisis, the Israeli nonprofit sector is still large and significant.
In 1999, it was ranked fourth in size relative to the national economy in a 22-
country comparison published (Salamon, Anheier, List, Toepler, Sokolowski, &
Associates, 1999). The Israeli Central Bureau of Statistics estimates that the non-
profit sector accounted for 5.6 percent of Israel’s GDP in 2011 – a decrease
from 5.9 percent in 2009 and 6.0 percent in 2008 (Brenner & Hazan, 2010,
2012). The sector employs almost 400,000 workers (13.2 percent of the national
workforce) and over 350,000 volunteers. These nonprofit organizations are pre-
dominantly engaged in the provision of health, education and social services
that complement the services provided by the dwindling Israeli welfare state.
Over 71 percent of the nonprofit sector’s total economic activity, 77 percent of its employees and 59 percent of its volunteers are concentrated in education, health and social services (Salamon et al., 1999). The sector accounted for 56 percent of national expenditure for health in 2004, showing a slow but continuous increase since the early 1990s. Similar dynamics are reflected in the field of education, reaching 40 percent of the total national expenditure on education in 2004. The level of public social expenditures in Israel is average, amounting in 2005 to approximately 16 percent of GDP (Shalev, Gal, & Azary-Viesel, 2012).

Social origins theory offers a comprehensive approach for understanding the third sector since it focuses on a variety of influences rather than a single factor (such as economics) in explaining the sector’s development (Salamon & Anheier, 1998). As shown in Gidron, Bar and Katz (2004), despite the theory’s explanatory power, the Israeli third sector only partially fits into the social origins model due to its unique history, the pivotal role of the Jewish Diaspora, lack of state-religion separation and the fluid nature of its polity due to several unresolved social and political issues especially around the Israeli–Arab conflict. However, societies that achieved independence after 1945 and went through a process of decolonization were much different from the European and North American patterns that inspired the social origins approach (Kabalo, 2009). Israel has a unique model for various reasons. First, the country’s history began outside of its current territorial boundaries. Second, it has relied on centuries of external financial and political support by a large Jewish Diaspora. Third, it lacks separation between religion and state. Finally, Israeli society continues to be fluid in light of unresolved basic issues, such as the country’s borders, the Israeli–Palestinian conflict and relations with the Jewish Diaspora. For these reasons, we prefer to adopt a dynamic approach to social origins theory when examining Israeli society, adding uniquely Israeli factors that have continuously affected the third sector throughout history: the state, the religious institutions, Jewish Diaspora philanthropy and trade unions. As a result, it is difficult to place Israel in any one third-sector regime type, and we believe that Israel is still in flux in this respect (Gidron et al., 2004). Kabalo (2009) contends that Israel fits better in a fifth nonprofit regime, one not listed in the original theory. She suggests that ‘the variable of internal and external social relations (vis-à-vis a governing authority and a Diaspora, respectively) can explain the existence of a diversified and large third sector, despite radical changes in governmental attitudes and population structure’ (p. 639).

1.3 Government policy in the nonprofit sector
To date, there is no formal government policy toward the third sector in Israel (Telias, Katan, & Gidron, 2000; Gidron & Katz, 2001; Galnoor & Associates,
The government’s attitude toward the third sector has been rooted in a corporatist approach whose origins lie in the 1950s. This approach views the third sector as subordinate to the state, acting as an implementing arm rather than as an autonomous player.

The state’s treatment of the third sector is predominantly reactive and reflects limited, shortsighted agreements. Beyond the Law of Associations, mentioned above, various decisions regarding nonprofit regulation and taxation have been made, but they have not yielded any comprehensive policy. The state’s de facto relationship with the third sector is complex and contradictory: while the government coordinates with many organizations to provide services and supports through tax benefits, it also limits nonprofits’ freedom of action through difficult and cumbersome regulations, binding them to tax rules that have no equivalents in other countries. In the last three years, these limits have been exacerbated by a series of government attempts to legislate laws that hinder the freedoms and capacity of civil society.

In response to the absence of governmental policy toward the sector, an independent commission was appointed to review government–nonprofit sector relations in Israel (Galnoor et al., 2003). The government responded by establishing its own committee (the Aridor Committee) to examine and offer guiding principles for governmental funding of nonprofit organizations (Aridor, 2006). Public pressure to reform government–third sector relations has caused the government to work toward an inter-sectoral discourse and to develop a series of agreements among all stakeholders. The Second Lebanon War in 2006 and the nonprofit sector’s response were additional catalysts toward a new approach to inter-sectoral collaborations in Israel (Katz, Elon, Gidron, Yogev, Yaacobi, Levinson & Raviv, 2007).

As Israel’s civil society has strengthened, the government has attempted to narrow the third sector’s reach, increase government supervision of its activities, strengthen the state’s ability to limit the organizing of certain population groups and implement other limiting measures. For example, more than three decades ago, the government established the National Council for Volunteerism by the Office of the Prime Minister as an attempt at cooptation of the third sector. Similarly, it created the Aridor Committee as an attempt to increase its control over the sector, yet claiming to do so for ‘effectiveness’ and ‘accountability.’

In February 2008, the government made a historic decision to redefine and improve of the relations between government, civil society and the business sector in Israel (PMO, 2008). Three goals were spelled out: (1) the strengthening of collaborations and the establishment of a relationship among the public sector, nonprofit organizations and the business sector, including the examination of tax and registration policies affecting these organizations; (2) increasing the integration and participation of nonprofit organizations in
government tenders to provide social services, while encouraging a dialogue between officials and the organizations prior to decision making; (3) encouraging the processes which contribute to empowerment, professionalization, control and transparency in civil society, and adopting shared norms and standards guiding the activity of the three sectors and the relations between them. This includes guaranteeing accountability and transparency in civil society and in the government’s dealings with civil society. While the inter-sectoral discussions and some new projects have been launched, the government’s relations with the nonprofit sector have recently been focused on the privatization of social services throughout the nonprofit sector.

Despite its haphazard and unplanned nature, government policy toward the nonprofit sector has resulted in de facto policy that treats nonprofits as subordinate to the government and instruments to implement government priorities, particularly in the realm of social services (Gidron & Katz, 2001). As such, nonprofits have become a prime actor in service provision, and the government has become the main source of nonprofit funding. The government thus keeps very tight oversight and control over nonprofit organizations, yet it held back on legislating a nonprofit associations’ law until 1981 in order to maintain current power relations (Limor, 2005). However, the flowering of civil society since the 1970s threatened these power relations, resulting in the government increasing regulations. Not only did these regulations help the government to reduce the risk of nonprofits pursuing policies different than its own and increase oversight on service provision, they also served the state’s political interests. For example, the increased regulation narrows the available political space for Arab-Palestinian organizations and for social change and human rights organizations. Moreover, it limits the potential influence of foreign governments and political actors that support them. Finally, increased regulations and oversight also help the government maintain some control over and access to the large inflows of Diaspora philanthropy to Israel.

1.3.1 Government support

The government plays a major role in financing the Israeli nonprofit sector, mainly because the sector is pivotal in the provision of state-mandated social services. Government direct funding of nonprofit organizations, through grants and third-party service provision arrangements (such as in health services, provided by law through nonprofit organizations), amounts to almost half of the total income of the sector (47.5 percent; see Figure 19.1). In the fields of health and education and research, the share of government funding reaches 68 and 55 percent, respectively (Brenner & Hazan, 2012). In comparison, the role of private philanthropy is rather modest, and nearly half of it (8.7 percent) is in the form of donations from abroad. Another substantial amount of income is generated through the sale of services to government and clients (‘fees for
service’), in some estimates reaching almost one-third of the sector’s funding (Gidron et al., 2003).

1.3.2 Fiscal incentives

The tax code in Israel is not philanthropy friendly, as tax deductions for donations are relatively limited. To date, foundations are registered and treated as any other nonprofit organization. Therefore, fiscal incentives for foundations are virtually inexistent. Only recently has the Parliament begun deliberations on giving a separate legal status for philanthropic foundations. Furthermore, tax incentives for individual and corporate donors are limited to a 35 percent tax refund on donations given only to eligible organizations. The number of eligible organizations is small, amounting to only 4,280 organizations in 2011 (Limor, 2012), a mere 12 percent of all organizations according to that report. Even more so, eligibility is approved by a Parliamentary committee, what has led to claims of politicization of this process. In addition, since tax filing in Israel is not comprehensive, many donations are not even reported and processed. Furthermore, there is a donation ceiling of approximately US$2 million on eligible donations (the ceiling doubled in 2009 due to pressures by some nonprofit organizations in light of the global financial crisis). Overall, financial value of this tax benefit is marginal, estimated at only US$25 million in 2000 (Mor & Jaffe, 2004).

1.4 Regulation of the nonprofit sector

Israeli nonprofit organizations operate in a highly regulated environment as a result of the blurred boundaries between the nonprofit sector and the state. In the last decades, and especially since 1980, there has been an increase in regulation in an attempt to improve the control of government on the nonprofit sector and civil society. The 1980 Law of Associations, the amendments to the law thereafter, government committees and other regulative efforts all embody
more control, more reporting and more restrictions on the third sector (Limor, 2005). The pinnacle of this process was the recent attempt to restrict the international funding of human rights organizations, which was severely criticized as undemocratic.

Two tiers of formal nonprofit regulation can be identified in Israel. The first tier is a complicated, decentralized and incremental array of laws, regulations decisions and requirements, which have been increasing in number in recent years (Limor, 2010). These regulations are often overlapping and contradictory due to the weak integration and coordination between government agencies that are engaged in nonprofit regulation, including the Ministry of Justice, its Registrar of Associations, the Ministry of Finance, the tax authorities and the State Comptroller.

The second tier is a system of internal non-voluntary NPO regulations required by the Law of Associations, government funders and the tax authorities. Unlike other countries, this system requires nonprofits to have accountant supervision and an internal auditing committee, beyond the organization’s board of directors (Limor, 2010). In addition to this two-tier system, the Israeli nonprofit sector faces informal regulation from its many stakeholders, funders and the ‘watchdog’ media.

The increasing regulatory environment of Israeli NPOs is compounded by the government’s neoliberal policies, which is pushing the process of social service privatization while also maintaining its control over the public sphere (Limor, 2010). The result is a paradoxical process: on the one hand, the government is trying to regulate and diminish public funding of nonprofits, and on the other hand, it aims to increase nonprofits’ dependence on and control by the government.

Recent efforts have been made to develop self-regulation mechanisms for the nonprofit sector. One example is Guidestar-Israel (www.guidestar.org.il), which increases the transparency of nonprofit organizations vis-à-vis donors. Another initiative is Midot (www.midot.org.il), which voluntarily ranks Israeli NPOs based on their effectiveness. This ranking system is controversial, but is gradually used more frequently by donors. Among its services, the Midot initiative offers organizations the ability to apply and be approved for a ‘Midot Seal of Effectiveness’ that they can display to potential donors.

1.5 Culture
1.5.1 Religion

In Israel – a center for three great monotheistic religions – religion plays an important role in all spheres of life, including philanthropy. In Islam, charity – known as Zakat – is the third of Islam’s five basic principles; in Christianity, charity is one of the three major principles of practice; and in Judaism, Tzedakah
and *Gemilut Chessed* are one of the three pillars of Judaism, denoting the imperative of providing support for those in need, Jews and non-Jews alike (Katz & Haski-Leventhal, 2008). *Tzedakah* is also related to the word *Tzedek* – justice in Hebrew – which implies the close link of charity to righteousness. Tobin (2004) identified three Jewish values underlying the motivation for Diaspora Jewish giving to Israel: (1) the abovementioned notion of *Tzedakah*, (2) a reinforcement of ethnic, cultural and religious identity and the perception of Israel as a spiritual center, where Jewish culture and tradition is kept and cultivated, and (3) ‘the refuge motive,’ which is the feel that Israel’s existence is a refuge for Jews in case of crisis (see also Kleiman, 1996). Hence, support to Israel is a form of self-protection from future threats.

In terms of religious composition, in 2011 three-quarters of the Israeli population were Jewish, close to 20 percent were Muslim and the rest were Christians, Druze or people not affiliated with a religion (CBS, 2012). With regard to religious attendance, the European Social Survey (ESS Round 5, 2010) found that 20 percent of Israelis attend services at least weekly (20 percent among the Jews, 22.3 among Roman Catholics, 24 percent among Muslims and 16 percent among the Druze). Table 19.1 presents this breakdown as well as classification of the Jewish population based on level of religiosity.

In Israel, defined as a Jewish state, there is no separation between state and religion; however, no special religious taxes – equivalent to Church Tax – are collected. Religious institutions are funded primarily by government allocations and private donations. Previous studies on philanthropic patterns of different religious groups found that among Jewish adults the tendency to give has a direct relationship to religiosity: religious people are more likely to act philanthropically than traditional individuals, who in turn are more likely to give than non-religious individuals (Katz & Haski-Leventhal, 2008). While

<table>
<thead>
<tr>
<th>Religious composition</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewish</td>
<td>75.4</td>
</tr>
<tr>
<td>of which (for 2005):</td>
<td></td>
</tr>
<tr>
<td>Non-religious</td>
<td>67.2</td>
</tr>
<tr>
<td>Religious</td>
<td>15.4</td>
</tr>
<tr>
<td>Ultra-Orthodox (‘Haredi’)</td>
<td>15.8</td>
</tr>
<tr>
<td>Other/unclear affiliation</td>
<td>1.6</td>
</tr>
<tr>
<td>Muslim</td>
<td>17.3</td>
</tr>
<tr>
<td>Christians</td>
<td>2.0</td>
</tr>
<tr>
<td>Druze(^1)</td>
<td>1.7</td>
</tr>
<tr>
<td>Not classified</td>
<td>4.0</td>
</tr>
</tbody>
</table>

79 percent of all secular Jews make financial contributions, this figure rises to 83 percent among traditional Jews, and 86 and 90 percent among religious and ultra-orthodox (‘Haredi’) Jews, respectively (Shye, Lazar, Duchin, & Gidron, 2000).

Jews were found to be more generous in comparison to other religious subgroups: giving among Jewish respondents was higher than that of Christians (29 percent), Muslims (23 percent) and Druze (19 percent) (Katz & Haski-Leventhal, 2008). Despite these findings, other evidence suggests that philanthropy among Arabs in Israel is on the rise. Zeidan (2005) examined the patterns of giving in the Arab-Palestinian society, showing that the motivation for contribution is affected by political developments. For example, increased national awareness associated with the 2000 Al-Aqsa Intifada led to an increase of donations among Arab-Palestinians compared to previous years. A unique feature of philanthropy among Arab-Palestinians in Israel is the relatively high level of philanthropy given through informal channels (Katz & Haski-Leventhal, 2008); this might explain the lower levels of formal giving reported in national surveys among the non-Jews in Israel.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

In the 18th and 19th centuries and well into the 20th century, money from the Diaspora flowed to the Holy Land through the work of numerous fund-raising rabbinical emissaries (known in Hebrew as shadarim), who traveled between Diasporic Jewish communities in Europe, the United States and the Middle East to raise funds for the religious communities in Palestine/Eretz Yisrael (Yaari, 1951; Eliav, 1978; Lehmann, 2007; Shenhav, 2007). Diaspora Jews considered it a religious and moral obligation to support individuals, groups and organizations in the Holy Land (Jaffe, 1993; Gidron, 1997).

The custom of sending fund-raising emissaries to Jewish communities overseas was adopted by the Zionist movement (Shenhav, 2007), which over time institutionalized, centralized, expanded and coordinated the practice by establishing large fund-raising units within the central institutions of the Zionist movement – through National Funds, Jewish federations and magbiot (fund-raising campaigns) (Haski-Leventhal & Kabalo, 2009). This national-governmental fund-raising establishment dominated the Israeli scene well into the 1980s. Most of these fund-raising institutions are still active with various levels of effectiveness. Rarely, however, did these fund-raising efforts contribute to the building or strengthening of the nonprofit sector as a whole, as funds were directed based on government priorities, and decisions were highly politicized.

Modern fund-raising practices are still developing in Israel. Current fundraisers are often unskilled, not properly trained and outdated in their practices.
They also lack knowledge on how to work with donors and do not sufficiently understand donor motivation (Limor, 2008). These weaknesses pose an organizational barrier to philanthropy, hindering potential donors from supporting nonprofit organizations. However, efforts are made to professionalize and self-regulate the profession. A community of independent fund-raisers and fund-raising consultants is emerging in Israel. These fund-raisers, many of whom are from Anglo origin, have organized in a nonprofit umbrella organization – the Israel Association of Professional Fundraisers (IAPF). Founded in 2010, this organization provides professional and ethical support as well as counseling, education, training and professional accreditation to its members.

Furthermore, several online fund-raising platforms have been developed in Israel through which direct donations to nonprofit organizations can be made. Among them are Israel Gives (israelgives.com) and Round-up Israel (round-up.org.il). The most frequent fund-raising methods used by Israeli NPOs include grant requests from philanthropic foundations and corporate donors, and organized special fund-raising events (Katz & Yogev, 2008). Finally, the state of Israel runs two different National Lotteries – one general and one dedicated to sports. Some of these Lotteries’ proceedings are distributed to various NPOs by a public committee.

1.5.2.2 Major donors

Major donors in Israel include ‘local’ and ‘overseas’ philanthropists. Large Jewish donors from the Diaspora enhanced the philanthropic scene in Israel/Palestine as early as the 19th century. Jewish European businessmen – such as Moshe Montefiore, Baron Rothschild and Baron Hirsch – emerged as influential philanthropists supporting the Zionist enterprise and helping the Jewish communities in Eretz Yisrael transitioning from the Old Yishuv to modern lifestyles. Wealthy Jewish donors are still influential in the development of Israel. Building dedications to Jewish donors from the United States, Britain and Australia adorn many university departments, cultural institutions and public buildings in Israel, illustrating the influential role of major donors in the development of Israeli civic infrastructure.

‘Local’ Israeli major donors include ‘old’ and ‘new’ philanthropists. The old philanthropists are well-established, wealthy families who have made substantial contributions to social causes in Israel over the past several decades. The ‘new’ Israeli philanthropists are those who made their fortunes over the past two decades, mostly in the high-tech and venture capital industries (Shimoni, 2008; Silber, 2008). In a survey of 79 elite philanthropists in Israel, Schmid and Rudich-Cohn (2012) found that donors’ preferred areas of giving were education, welfare, health, culture and social change. Their level of donations ranged from less than US$2,000 per year to almost US$20 million per year. In
The average level of annual giving among the general population is less than US$300 per year (Katz, Levinson, & Gidron, 2007). Schmid and Rudich-Cohn (2012) also pointed that donors were ‘predominantly motivated by a commitment to building and strengthening society – a commitment which reflects their belief in the principles of Zionism and all that Zionism symbolizes.’ This finding is in line with Shimoni’s (2008) study of Israeli mega-donors that categorizes their motivations for giving as rational philanthropy and patriotic philanthropy. Rational philanthropists – many of them coming from the hi-tech industry – see themselves as ‘investors’ more than charity givers and are personally involved in the recipient organizations. Patriotic philanthropists invest in projects that are ‘aimed at building the secular-Jewish-Zionist-national collective.’ Israeli wealthy donors have also developed negative emotions of ‘civic anger’ (Silber, 2012) toward the state and politics, which possibly can account for the growing engagement of these donors with private, direct philanthropic giving. For example, ‘Committed to give’ is a new initiative of key social investors who have pledged to increase their level of giving, educate others on the importance of philanthropy and improve philanthropy’s effectiveness (www.ctg.org.il). This initiative is affiliated with the recently established Israeli branch of the Jewish Funders Network (JFN). Like Warren Buffet and Bill Gates’ initiative in the United States, these investors have pledged to donate half of their wealth to philanthropy during their lifetime or after their death.

The culture of giving in Israel is still underdeveloped, and public attitudes toward wealthy ‘tycoons’ do not encourage giving publicly (Schmid & Rudich, 2008; Silber, 2008). About 67 percent of the Israeli public is suspicious of philanthropists and their motives for giving (Schmid & Rudich, 2008). The public believes that the donors might be giving for the sake of building up political strength or making close contacts within the government, which will grant them future gains. This public attitude weakens the philanthropists’ willingness to contribute to social and national causes. For example, a public outcry led the late Sami Ofer, one of Israel’s wealthiest people, to cancel a US$20 million donation to Tel Aviv Museum after he insisted to rename the museum under his and his wife’s name.

1.5.2.3 The role of financial advisory professionals
Since tax deductions for philanthropic giving are relatively limited, and there is no separate legal status for philanthropic foundations in Israel, the financial advisory sector in Israel is almost entirely absent. One emerging sign for the development of financial planning in philanthropic giving is a new branch of the JFN, which opened in Israel in late 2008. Originally established in the United States, JFN is an umbrella group that provides services to its members – Jewish donors with annual giving of at least US$25,000. JFN’s branch in Israel,
in collaboration with Sheatufim – an Israeli nonprofit providing donor assistance and education programs – offers philanthropic financial advisory to potential donors. Finally, a few private firms and small departments in major accountant firms also offer philanthropic advising.

1.6 Other relevant characteristics for Israel

1.6.1 Government competes with nonprofits over limited pool of resources

One unique condition in Israel – historically and contemporaneously – is the competition that nonprofit organizations face from an unexpected actor: the government. Historically, national fund-raising institutions actively sought donations from Diaspora sources, which were allocated to government ministries, or national projects based on government priorities. In the past decade, the Ministry of Welfare and Social Services had its own fund-raising arm, successfully mobilizing donations from overseas private philanthropic foundations in millions of dollars. The government even competes with nonprofit organizations over volunteers who support government agencies, such as the National Insurance Institute, Army units and other public entities.

2. Explaining philanthropy in Israel

2.1 Data and measures

For this chapter, we use a survey of Israeli philanthropy (Giving, Volunteering and Organ Donations in Israel, GiVOD-IL) conducted in 2009 by the Israeli Center for Third Sector Research (Haski-Leventhal, Yogev-Keren, & Katz, 2011). The giving module was second in the questionnaire (preceded by a volunteering module, and succeeded by organ donations module). This is the third wave of a long-term attempt to establish a longitudinal, nationally representative database of household philanthropy in Israel. Previous surveys were conducted in 1997 and 2006 (Shye et al., 2000; Katz et al., 2007). In 1997, 58 percent of survey respondents reported donating to nonprofit organizations, and in 2006, 72 percent of the adult Jewish population reported giving monetary and in-kind donations.²

With regard to the survey participants, a sample of 1,498 respondents completed a telephone survey in March of 2009. The sample was representative of the adult population over 18 years old in Israel, both Arab and Jewish. Sampling was layered by ethnicity and by age group. Response rate was 52 percent. Forty-five percent of respondents were males, and the average age of participants was 42.2, with 41 percent under the age of 35, 46 percent between 35 and 65, and 13 percent of respondents were over 65. In terms of participants’ level of education, the sample was well educated, with only 10 percent of respondents completing less than a primary education (less than 12 years in schooling).
Forty-seven percent had completed at least 15 years of schooling, and another 43 percent had a tertiary education. Sixty-four percent of the sample was married. While this might be considered a high level of marriage in international perspective, this percentage reflects the Israeli reality. Religious/ethnic orientations were divided in three groups: Observant Jews (24 percent), non-observant Jews (61 percent) and non-Jews such as Muslim, Christians, Druze and others (15 percent). Results are also reported for measures of trust (5-point Likert scale), religious service attendance (number of times attending congregation per month) and income (5-point Likert scale with the following options: much below average, below average, average, above average and much above average; rescaled in the regressions to a 0–1 scale). We report below on the prevalence of monetary giving and the total amount of money that a household donated to NPOs in 2008, excluding in-kind donations. In addition, we report the prevalence of donations made to eight charitable subsectors (see Table 19.2). Our measure of giving to ‘secular causes’ combines the donations to all eight secular subsectors.

2.2 Descriptive results

Sixty-six percent of Israeli households made monetary donations to organizations in 2008, while the total giving rate, including in-kind donations, was 78 percent. This implies an increase in the rates of giving in Israel, as well as the importance of in-kind donations compared to surveys from 1997 to 2006. Table 19.2 shows the prevalence of total giving by charitable subsectors. Nearly one-third of all donors donated to religious causes, amounting to 20.8 percent.

Table 19.2 Percentage of donors to different charitable subsectors in Israel in 2008 (N = 1,498; GiVOD-IL, 2009)

<table>
<thead>
<tr>
<th>Donors (%)</th>
<th>Monetary donations</th>
<th>All donations, including in-kind</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total secular causes</td>
<td>62.7</td>
<td>75.4</td>
</tr>
<tr>
<td>Children and youth</td>
<td>40.5</td>
<td>46.2</td>
</tr>
<tr>
<td>Food security</td>
<td>38.9</td>
<td>45.8</td>
</tr>
<tr>
<td>Health</td>
<td>33.9</td>
<td>38.7</td>
</tr>
<tr>
<td>Community and grassroots</td>
<td>12.8</td>
<td>14.7</td>
</tr>
<tr>
<td>Women</td>
<td>11.4</td>
<td>12.6</td>
</tr>
<tr>
<td>Nature, environment and animals</td>
<td>6.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Culture, arts, sports and recreation</td>
<td>4.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Other</td>
<td>5.8</td>
<td>7.9</td>
</tr>
<tr>
<td>Total religious causes</td>
<td>20.8</td>
<td>22.9</td>
</tr>
<tr>
<td>Total all causes</td>
<td>66.4</td>
<td>78.2</td>
</tr>
</tbody>
</table>
of the total sample. Many of the donors gave monetary donations to a host of secular causes, predominantly to children and youth organizations, food security and health.

The average total annual monetary donation in 2008 was US$1,350 (US$660 if non-donors are also counted). This figure may seem high, but in charitable giving statistics, the average amounts are always larger than the medians. As expected, the median total annual giving across those who reported donations was US$235 – much lower than the average. In the Israeli case, the average total annual donation is strongly influenced by a small number of large donations (although we treated two exceptionally large donations of several million US dollars as outliers and excluded them from this calculation).

2.3 Explaining philanthropic giving in Israel

We examine the multivariate relationships between characteristics known to influence philanthropic behavior and the likelihood and amount people give to all charitable organizations, religious organizations and secular organizations.

2.3.1 Incidence of giving

Table 19.3 displays the results of three logistic regression models of whether or not people in Israel give to any charitable cause (Model 1), to religious causes (Model 2) and to secular causes (Model 3). In terms of total giving, only those with a higher income, tertiary education and higher levels of generalized trust were found to have an increased probability of donating to charitable causes. On the other hand, age, marital status, gender and even religious orientation and religious attendance were not significantly associated with the likelihood of giving.

The results for incidence of secular giving (Model 3) largely resemble the results for total giving. The only differences are that married people are marginally more likely to give than non-married people, and non-Jews have a significantly lower probability to donate to non-religious causes than non-religious Jews. The results for incidence of religious giving (Model 2) slightly diverge from the results for total giving. In contrast to total giving, income is not a factor explaining the probability of religious giving, suggesting that even those with lower incomes give to religious purposes. Interestingly, the relationship between generalized trust and religious giving is only marginally significant. Finally, we also find that the likelihood of making religious donations is higher for those with a secondary education compared with those with a primary education, but this trend is not visible among those with a tertiary education.

2.3.2 Amount donated

Table 19.4 displays the results from a Tobit regression model of the natural log of the total amount Israeli households gave to all charitable causes in 2008.
Table 19.3  Logistic regression analysis of total, religious and secular giving in Israel in 2008 (N = 1,174; GiVOD-IL, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.76*</td>
<td>0.30</td>
<td>-2.72**</td>
<td>0.39</td>
<td>-0.84**</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.18</td>
<td>0.15</td>
<td>1.19</td>
<td>0.05</td>
<td>0.18</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.33</td>
<td>0.22</td>
<td>1.39</td>
<td>-0.26</td>
<td>0.29</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.37</td>
<td>0.23</td>
<td>1.45</td>
<td>0.62*</td>
<td>0.30</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.43(*)</td>
<td>0.24</td>
<td>1.53</td>
<td>0.23</td>
<td>0.32</td>
</tr>
<tr>
<td>Male</td>
<td>-0.16</td>
<td>0.14</td>
<td>0.86</td>
<td>-0.23</td>
<td>0.18</td>
</tr>
<tr>
<td>Married</td>
<td>0.21</td>
<td>0.15</td>
<td>1.24</td>
<td>0.02</td>
<td>0.18</td>
</tr>
<tr>
<td>After-tax household income1</td>
<td>1.32**</td>
<td>0.46</td>
<td>3.73</td>
<td>0.39</td>
<td>0.54</td>
</tr>
<tr>
<td>Jewish – Non-religious (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jewish – Religious</td>
<td>0.23</td>
<td>0.18</td>
<td>1.25</td>
<td>1.69**</td>
<td>0.19</td>
</tr>
<tr>
<td>Non-Jews/Other religions</td>
<td>-0.28</td>
<td>0.19</td>
<td>0.75</td>
<td>0.37</td>
<td>0.26</td>
</tr>
<tr>
<td>Religious service attendance2</td>
<td>0.01</td>
<td>0.01</td>
<td>1.01</td>
<td>0.03**</td>
<td>0.01</td>
</tr>
<tr>
<td>Generalized trust3</td>
<td>1.01**</td>
<td>0.27</td>
<td>2.75</td>
<td>0.55(*)</td>
<td>0.32</td>
</tr>
</tbody>
</table>

Notes: 1 After-tax household income in US$/10,000; 2 Religious service attendance in times a month; 3 Scale 0–1; 4 Secular giving comprises of giving to organizations in the fields of health, children and youth; environment and animal protection; food security; culture, arts, sports and recreation; community and grassroots; women; and ‘other’ causes; **p ≤ 0.01; *p ≤ 0.05; (+) p ≤ 0.1.
To make interpretation of results easier, we present the average marginal effects of each independent variable on the actual/observed outcome of charitable giving amounts (that is: \( x \) on \( E[y \mid x] \)), and not on the uncensored latent dependent variable (as would be the case if we interpret the raw beta coefficients). Marginal effects are a good approximation to the amount of change in \( y \) given a one-unit change in \( x \). We use a Tobit regression because donation data are left-censored: people cannot give less than zero dollars.

The results indicate that total annual giving (logged) to nonprofit organizations increases with higher levels of education, household income, religiosity (among Jews), trust and marital status. First, education matters: people who completed a secondary or tertiary education are predicted to give, respectively, 73 and 103 percent more compared to those with only a primary education or less. Second, marital status affects the level of philanthropic donations, but with only marginal significance: married people are likely to give higher sums to charity compared with non-married Israelis. Income is the most predictive variable for higher amounts of charitable giving: the higher the income, the greater the amount donated to nonprofit organizations. Moreover, religious Jews give 89 percent more than non-religious Jews. The latter give more on average than do other ethnic groups (non-Jews), but the difference from non-religious Jews is not statistically significant. Interestingly, while religious
orientation is associated with higher levels of giving, religious attendance is found to be unrelated to the level of philanthropic giving. Finally, respondents reporting higher generalized trust in others are predicted to give significantly more money to NPOs than people who distrust others. The results show that age, gender and religious attendance do not influence the level of philanthropic donations among Israelis.

3. Conclusion

Israeli philanthropy and nonprofit sector have developed from a rich history, starting from biblical times, 2000 years of Jewish life in the Diaspora, the reestablishment of Jewish life in Palestine by the Zionist movement and the establishment of the state of Israel. The current state of philanthropy and nonprofit associational life in Israel reflects the lingering historical effects of both the Diaspora and pre-state eras, as much as it is a product of current political, social and economic relations, tensions and arrangements.

One such historical effect is the fact that Israel is probably the only developed nation that imports rather than exports philanthropy (Gidron et al., 2003). This is a direct continuation of the tradition of religiously based, and later Zionist, support to the Jewish community in Palestine. However, this tradition is not fixed, but rather changing and adapting with time. In fact, it can be argued that Israel not only imports philanthropy from the United States (and to a lesser extent from Western Europe), but that it also imports American professionalization of philanthropy into Israel. The role of American foundations and Anglo fund-raisers in the development of organizations such as IAPF and JFN in Israel is indicative of this process. New forms of philanthropy, including e-philanthropy, philanthropic planning and counseling, enhanced requirements of accountability and effectiveness, and processes of professionalization of philanthropy are already underway and will likely continue.

Furthermore, the centrality of the Zionist organizations in funneling and channeling these funds is waning, as donors demand more control of their donation decisions. Consequently, the Israeli government is losing some of its power over decisions about the amounts and the targets of Jewish philanthropy flowing into Israel. The increased governmental attempts to regulate and restrict nonprofit organizations and their funding sources (Limor, 2010) are most likely a reaction to this trend.

The literature and our findings reveal three separate groups in terms of philanthropic behavior – religious Jews, non-religious Jews and Arabs (Christian, Muslim and Druze) – distinguished by two critical factors: level of religiosity and nationality. Philanthropy within the Arab population is lower than that of the Jewish population, and it is characterized more by informal and slightly more religious giving. Since the Arab community is more traditional, they
are more likely to give to religious causes and less frequently through formal organizational channels. The lower rate of giving to organizations reflects not only the more traditional and kinship-based community structure of these communities, but also resentment and suspicion on the part of Israeli Arabs toward all that is formal and established. Therefore, philanthropy among the Arab population also demonstrates the strong effects of political ideologies in Israel. Lower levels of economic development, education and available space to organize are structural barriers that lead to lower levels of giving. As the political awareness and the socio-economic status of the Arab minorities are gradually improving, growth in philanthropic giving and number of nonprofit organizations is likely to occur as well.

The religious and particularly the ultra-orthodox (Haredi) community strongly adhere to their traditional patterns of philanthropy, which remains a very religious practice bounded within the confines of their own community. Evidence of professionalization processes is seldom seen, and more modern factors of giving such as level of education (which is on average lower among the ultra-orthodox) and generalized trust are less influential. These communities have practiced religiously motivated giving for centuries and are less likely to change in the foreseen future.

Non-religious Jewish philanthropy is close in nature and practice to the norms found in other nations in the developed world. Affected by income, education and social trust, it reflects a modern practice of philanthropic giving and has recently entered a process of professionalization and specialization. It is uniquely tied to foreign donors due to its long history of Jewish mobilization for Zionist causes and the support of Jewish organized philanthropy ever since the establishment of the state of Israel.

Demographic trends in Israel forecast that, due to differences in birth rates, the share of the ultra-orthodox and Arab population will increase in the coming decades. This will probably have implications on the prevalence and possibly the dominance of the different styles of philanthropy. Whether we can expect to see a convergence between these three communities in their styles of philanthropy remains to be seen. Considering the dynamics discussed in this chapter, we expect convergence to occur between religious and non-religious Jews, but such convergence between Arab and non-religious Jewish philanthropic patterns depends on the continued economic development of the Arab population and the political tensions inside Israel and with its neighbors.

Changes are taking place, gradually making Israeli philanthropy, particularly that of non-religious Jews, similar to what is seen in the United States and Western Europe. Signs of development of local philanthropic culture (Haski-Leventhal et al., 2011) and greater corporate philanthropy, workplace philanthropy, philanthropic foundations (Gidron et al., 2008) as well as elite
philanthropy by the Israeli rich (Shimoni, 2008; Silber, 2008; Schmid & Rudich-Cohn, 2012) are likely to continue transforming the field of philanthropy from old religious traditions to an emerging culture of philanthropy.

Notes

1. Druze is a monotheistic ethno-religious community found primarily in Israel and neighboring countries.
2. These surveys also looked at informal giving, that is: giving preformed outside formal organizations to neighbors, beggars and so on. Informal giving was quite prevalent, amounting to 46 percent in 1997, 42 percent in 2006 and 43 percent in 2008.
3. Non-religious giving comprises of giving to organizations in the fields of health, children and youth; food security; nature; environment and animals; community and grassroots; culture, arts, sports and recreation; women; and ‘other’ causes, as described in Table 19.2.
4. Since over a third of the sample (35.5 percent) did not report the amount of giving, the sample size in this analysis is smaller (N = 816). To deal with this level of missing values, we ran a similar regression model using the multiple imputation (MI) method. Results were slightly more conservative than list-wise deletion: marital status and education were found not significant predictors of giving. We are presenting the list-wise deletion results, and MI results are available upon request from the authors.
5. See for more information introduction to the book.

References


Mor, A., & Jaffe, E.D. (2004). *Sugiyat ha-hanachot be-mas le-tormim bi-fkudat Mas Hachnasa (se’if 46) ve-ha-hashlachot al giyyus ksafim ba-migzar ha-shelishi* [The Issue of Tax


1. The philanthropic landscape

1.1 History

Lebanon is relatively a small country in the Middle East with an area of 4,035.5 square miles and a population of 3,759,136 (CSA, 2007). Its geographical location on the Mediterranean Sea and the diversity in its socio-cultural environment positions Lebanon as a bridge between the East and the West. Lebanon has a rich history that dates back to the Phoenicians and has since then been transformed by the Arab heritage and civilization. Lebanon was ruled by the Ottoman Empire for more than 400 years but distinctively enjoyed an autonomous status, setting the framework for the country’s political and administrative structure. Beginning in 1920 after World War I, Lebanon was under the French Mandate until its independence in 1943. This history has shaped the country’s political, economic and social norms, out of which grew the nonprofit sector. As AbouAssi (2006, p. 21) describes, ‘Civil society in Lebanon is the product of the historical evolution of a culture of local political and economic mediation, and activities and programs by western missionaries.’

Between the 16th and 19th centuries, a feudal system of cooperation between several prominent families existed alongside a mediation system at the village level to ensure some representation. A more urban system followed during the Ottoman times, where prominent urban families dominated the economy and ‘managed the intricate relations between families, guilds, and religious orders’ (AbouAssi, 2006, p. 22). Throughout these developments, religion and religious figures played a major role in Lebanese society and maintained strong relationships with the ruling authorities, especially aiming to preserve the social status quo.

In the late 19th century, Western missionaries became active in Lebanese society, setting up private schools and universities and introducing new
practices of more organized civic activism through private newspapers, syndicates and various types of associations. However, even before this ‘more organized civic activism,’ members of local communities regularly came together to support each other in daily activities. The practice of solidarity is embedded in the social fabric of Lebanon.

The emergence of organized civic activism in the early 1900s gave rise to a legal structure for associations. The 1909 Ottoman Law of Associations was enacted to govern the affairs of an increasing number of associations. Most of these associations were sectarian-based and focused on delivering social and welfare services to the needy. World War I expanded the need for these services and intensified the work of some of these associations. During the French Mandate and after the 1943 independence, the country experienced an economic boom, receiving international attention and labeling it as ‘the Switzerland of the East.’

However, instability began in 1975 when civil war broke out in Lebanon. The country was geographically divided along religious lines, the national government was politically crippled and the public bureaucracy was shattered. Many nongovernmental organizations (NGOs) thrived during this period, assuming the primary responsibility of providing services (AbouAssi, 2006, 2010). Even so, many of these organizations were drivers of the political scene and linked to sectarian politics and militias (Sharaiha & Ibrahim, 2009). During this time of unrest, many Lebanese left the country and became successful in their host countries; the diaspora became powerful, especially financially (Sharaiha & Ibrahim, 2009). Today, the Lebanese diaspora is a major source of support for many Lebanese families and several local organizations (Trent, 2012).

When the civil war ended in 1990, the international community expressed commitment to support Lebanon. Private businesses invested in reconstruction, and the government launched initiatives to reform and rehabilitate the public sector. Some international donors preferred to work with NGOs rather than the government to provide services and support the rebuilding process (AbouAssi, 2010). Channeling international funding through NGOs boosted the public sector in Lebanon. The country also witnessed an influx of funding during later periods of crises, such as the war with Israel in late 2006, which caused around 3.6 billion dollars worth of damage to the country (Sharaiha & Ibrahim, 2009). Funding from the international community and Lebanese diaspora poured into the country; relief and emergency efforts were mainly carried out by local and international organizations.

1.2 Size and scope of the nonprofit sector in Lebanon

Lebanon has a vibrant and dynamic NGO sector. However, there is a lack of clear understanding of how the sector is defined. Two terms are commonly used in Lebanon: ‘civil society’ and ‘NGO sector.’ The literature defines civil
society as a public arena, where people interact through a large and diverse array of formal and informal, organized and ad hoc, structured and unstructured, temporary and permanent and defined and undefined connections (Van Rooy, 1998; Edwards, 2004). Under this definition, a shared vision is imperative for the existence of civil society, regardless of whether the vision is tolerant or in opposition to the state. Secondary to this vision are spelled-out goals, financial status, organizational characteristics, targeted beneficiaries and relationship forms. As such, demonstrations, political parties and student and scout clubs are all included within this convivial concept of civil society and its organizations (Heinrich, 2004). Civil society organizations (CSOs) can be less institutionalized and lack a clear governance structure. These organizations work more on integrative purposes (social capital bridging more than bonding) (Heinrich, 2004) in comparison to other types of organizations that work on private interests and provide limited public services.

On the other hand, the definition of an NGO depends on its function or purpose. The structural–operational definition characterizes NGOs as organizations with a public benefit, a degree of formality or institutionalization, independence from the government, nonprofit distribution (but not necessarily generation), self-governance according to certain internal procedures and mechanisms and voluntary participation (Salamon & Anheier, 1992; Salamon, 1999). These characteristics chiefly differentiate the NGO sector from the public sector (primarily concerned with the preservation of order and not necessarily with a social vision) and private sector (primarily concerned with the production of goods, generation of profit and maintenance of market equilibrium). However, volunteerism is not necessarily a qualifying or excluding factor. In Lebanon, volunteerism is linked to solidarity and often practiced informally at the community level and outside organized channels. Furthermore, the overwhelming majority of Lebanese NGOs are membership organizations. In Lebanon, a membership organization is an organization with members that works to serve the general public. Any member of the public who believes in the mission of the organization can join and pay a membership fee. As such, civil society extends the NGO sector beyond its organizational boundaries; ‘[these] organizations should be viewed not as forming an institutional sector but as part of a complex network of organizations linked together in the public sphere’ (Wagner, 2000, p. 542). NGOs are therefore a subset of CSOs.

This definitional distinction helps us to understand the situation at hand. Lebanon best fits the liberal model in Salamon and Anheier’s (1992) nonprofit sector classification system, where government spending on social welfare is not high while the nonprofit sector is relatively large. In Lebanon, the number of CSOs is estimated to be 15,000, serving a population of around four million.
The number of registered NGOs is only around 5,000, of which approximately 700 are active on a regular and sustained basis (AbouAssi, 2006). Lebanese NGOs are active in all domains of public life, including the environment, women’s rights, democracy, animal rights, arts and LGBT rights. Furthermore, most of the foundations in Lebanon are operating and not grant-making foundations. They are big organizations, either religious, individual philanthropic or family foundations (Sharaiha & Ibrahim, 2009), that are established to provide services to the public. In some cases, these services are monetary. However, these foundations do not provide grants to other local organizations in the country; on the contrary, they might compete with these organizations for available grants.

Another dimension of the Lebanese nonprofit sector is citizen involvement, which varies by type and degree. Available data indicates that 36 percent of Lebanese citizens are affiliated with at least one CSO; the majority of those 36 percent are members of NGOs (AbouAssi, 2006). In addition, members of only 53 percent of NGOs have substantial influence on decision-making processes (AbouAssi, 2006). They are mainly expected to attend public activities and contribute financially through membership fees. However, some members do not fully commit to the NGO. Many members do not attend meetings or pay membership fees. They serve a ceremonial role, electing the executive committee and approving the annual report and budget. The responsibility to hold management accountable or to provide guidance to the organization is not recognized (Baroud, 2004). Another dimension is the diversity of participation. In many cases, membership in Lebanese NGOs is limited and based on religious and political affiliation or is selective and conditional in some way (AbouAssi, 2006). Some NGOs are hesitant to expand their membership basis, fearing the possibility of takeover by politicized members. These organizations are interested in maintaining their ‘homogenous core’ that is gathered around a common goal. Other NGOs are so concerned with maintaining internal power that membership is further restricted only to newcomers who express loyalty. This has resulted in the exclusion of marginalized groups like women or people with disabilities (UNDP, 2009).

Another form of citizen involvement is volunteering. Volunteerism has cultural roots in Lebanese society; it is related to the value of solidarity and entails help and support within the local community as a social obligation. In general, 57 percent of Lebanese have done some form of volunteer work, dedicating an average of 6.8 hours a month (AbouAssi, 2006). However, the concept of organized volunteerism is relatively new to the country. Lebanese are more accustomed to directly supporting each other and being informally engaged in collective efforts rather than channeling these efforts through an organized structure.
1.3 Government policy in the nonprofit sector

The nonprofit sector in Lebanon is regulated by the Ottoman Law on Associations of 1909 (Moukheiber, 2004). The law requires that all organizations must register, have a stated mission and report all activities (including a brief annual budget) to the Ministry of Interior (MOI). Foreign associations that intend to operate in Lebanon need prior authorization from the Lebanese cabinet (Sharaiha & Ibrahim, 2009).

While the government does not have a stated policy toward the nonprofit sector, there is a common suspicion among local organizations that the government intends to control or at least obstruct the autonomy and performance of the sector (Abdel Samad, 2004; AbouAssi, 2010). One often-cited example is the interpretation of the registration procedures by MOI. According to the 1909 law, registration simply requires the founders of an organization to notify MOI of their intent to form an organization (Moukheiber, 2004). However, MOI officials interpret notification differently; notification means a request for approval by MOI, and only when the approval is granted, the organization is officially registered (Moukheiber, 2004; AbouAssi, 2006). In addition, the 1909 Law requires organizations to report their activities to MOI. Organizations that work in certain areas of public interests (such as corruption, democracy and human rights) face greater scrutiny from the government, stricter reporting regulations and stronger consequences if they fail to follow the law (AbouAssi, 2006; Sharaiha & Ibrahim, 2009).

1.3.1 Government support

One of the distinctive features of Lebanese NGOs is their ability to secure funding from various sources, including international donors, without any interference or control from the central government. The major sources of funding for Lebanese NGOs are membership fees, international donors and the Lebanese government (Helou, 2004). However, the percentile distribution of these financial resources should be looked at with scrutiny, taking into account donors’ increased interest in Lebanon for various political and economic reasons.

Lebanese NGOs manage a financial portfolio of US$1 billion¹ a year (excluding periods of emergencies such as the 2006 War). The aggregate financial resources of social welfare NGOs is five times the budget of the Ministry of Social Affairs.² These financial resources come from a range of sources, with 22 percent of total resources coming from membership fees (annual fees that members have to pay as they join an organization) (AbouAssi, 2006).

Government funding is one of the important sources of revenue for Lebanese nonprofit organizations, totaling to around US$104 million in 2004. This amounts to 43 percent of the total social spending of the government (Lebanese
National Budget, 2004). The majority of these contributions are in the forms of subsidies or agreements between the Ministry of Social Affairs and welfare organizations to deliver health, social and educational services in their respective geographical areas. However, few observations are due here on Lebanese government support to nonprofit organizations. First, there is a diversity of government agencies that provide support to local organizations; some of this support is primarily international assistance channeled to these organizations through government agencies. Thus, it is not precise to label this support as government subsidies (AbouAssi, 2006). Second, the support that the government provides to nonprofit organizations is still limited, and the range of organizations receiving such support is modest (AbouAssi, 2006).

1.3.2 Fiscal incentives

Private philanthropic funding does not exceed 10 percent of NGOs’ financial resources, although there are few exceptions. The Lebanese income tax law offers deductions on all profits subject to taxation if these deductions go to charity. However, this law – issued in the 1950s – is very outdated; it specifies certain types of recipient NGOs and excludes other types that did not then exist. Furthermore, individuals or corporations benefit from tax exemptions if they contribute up to 10 percent of their net annual profit (or one out of 1,000 of their gross annual profit in some cases) as long as the exempted donations do not exceed a fixed amount of US$10. However, this value in today’s market does not encourage donors to go through the bureaucratic process to receive tax exemptions (AbouAssi, 2006).

Another source of fund-raising for many Lebanese nonprofits is special events. These events serve the purposes of fund-raising, increasing awareness and building public relations for the organizers. The most common kinds of special events are gala dinners and concerts. In some cases, these events are the only activities some organizations conduct throughout the year. Observations by the author reveal that the majority of organizations pay little attention to the management and cost of these events; as such, these events become social events rather than professional mechanisms to raise funding for an organization.

Individual donations provide NGOs with about one-fifth of their revenues. This source includes Lebanese diaspora contributions. Many Lebanese families – and consequently the local economy – rely on remittances coming from the Lebanese diaspora. Although there is no reliable statistic, Lebanese immigrants and descendants are spread all over the world; many retain strong ties and commitments to the country (Sharaiha & Ibrahim, 2009). Expatriates continue to send remittances to their immediate families. According to the Migration Policy Institute (2011), remittances inflows to Lebanon constitute 22 percent of the country’s GDP. In 2010, US$8,406 million were transferred back to Lebanon, of
which around 70 percent came from immigrants in North America and Europe. Moreover, the Lebanese diaspora also participates in the development of their home country and villages (Trent, 2012). In some areas of Lebanon, the development of schools, hospitals and small businesses can be attributed to Lebanese migrants, who build these institutions and offer them to the government or NGOs to later serve those who decide to come back and live in the country.

The motivations for philanthropy or charitable giving are often driven by politics. Many political parties in Lebanon are linked with a specific religion; therefore, most philanthropy in Lebanon is sectarian in nature. Many of the major political and religious groups in Lebanon form their own philanthropic organizations to solicit donations from constituents and to gain loyalty by dispersing goods and services to their followers. For example, during elections, many political parties increase local giving to ‘buy’ or encourage votes and increase turnout (Sharaiha & Ibrahim, 2009).

Individual donations also include charitable giving, which has a long history in Lebanon. Secondary data shows that 71 percent of Lebanese donated money or made other contributions to charity at an average of US$136 per year, with more than one-third of citizens donating less than US$50. With an estimated individual annual income of US$8,336, this average constitutes 2 percent of personal income (AbouAssi, 2006). It is a common practice for individuals or families to give in-kind or monetary donations to organizations (and individuals) as social obligations or religious duties (sadaqa), especially during religious feasts. That is why faith-based organizations receive the bulk of charitable donations, which raises questions about the civic motivation behind charitable giving versus obligatory religious titles. Furthermore, as elaborated elsewhere, the bulk of charitable giving driven by religious obligations such as zakat and waqf do not go through nonprofit organizations, but are rather collected, maintained and managed by religious establishments. Data on these contributions are hard to obtain.

Donor funding is the largest source of NGOs’ revenues, because international donors prefer to channel aid and assistance to NGOs rather than to the public sector. Many Lebanese NGOs are dependent on donor funding. According to the UNDP (2009, p. 24), this happens when ‘[a]n NGO is approached by a funding agency that already has its own set agenda or plan and looking for a partner to implement it. An NGO’s management would scope the funding priorities and design a program that bridges these priorities and its own mission or area or expertise.’ UN agencies have a strong presence in Lebanon, along with bilateral donors including the Canadian International Development Agency (CIDA), the Department for International Development (DFID), European Union (EU), United States Agency for International Development (USAID), Italian Cooperation and other international organizations.
In general, NGOs submit financial and taxation documents as required by law or stipulated in grant agreements with donor agencies. However, the authenticity of some reports is questioned as rumors of corruption within the NGO sector continue to surface. What is evident is that many NGOs: (1) lack adequate financial management since they work with simplified balance sheets and not necessarily with a detailed budget; (2) are more interested in acquiring assets than utilizing and maintaining them; and (3) continue to use basic tools of fund-raising such as hosting social events rather than more advanced tools including solicitation campaigns or grant proposals (UNDP, 2009).

1.4 Regulation of the nonprofit sector

Regulation of the Lebanese NGO sector stems from the process of establishing NGOs as well as NGO–government relationships. The formal NGO registration process is fairly easy, simple and inexpensive. While NGOs are legally required to submit written mission statements to MOI, specialization in NGOs is rare and the mission statement is left as broad as possible (El-Haraka, 2004; Moukheiber, 2004). It is easier to have a general mission statement than to go through the bureaucratic process of revising it at the Ministry. Beneficiaries, staff and volunteers do not necessarily know the NGO’s mission. At times, the organization either does not have an official organizational structure or its existing structure does not fit the stated mission and goals (AbouAssi, 2013b).

The instability in NGO–government relationships in Lebanon begins during the process of NGO registration, which the Ministry uses as a form of control over these organizations (AbouAssi, 2006). This instability reflects on the interactions between many NGOs and the government. These interactions are characterized by limited dialogue, considerable distrust, diversion of perspectives, suspicion over intentions and lack of collaboration (Abdel Samad, 2004; AbouAssi, 2010). However, some weak mechanisms are in place to improve relationships. Some government agencies provide financial support to NGOs; the NGO Support Unit at the Ministry of Social Affairs provides basic support especially for small NGOs. Moreover, the Social and Economic Council includes representatives of NGOs (AbouAssi, 2006; UNDP, 2009).

Many NGOs decline to engage in the public policy process at the national level. The few involved are mostly advocacy oriented, politically supported or politically connected. In many cases, NGOs wait for and rely on donor funding to implement projects to impact public policy; in other cases, they seize the opportunity of international pressure on the government to delve into policy issues (Abou Daye, 2008; UNDP, 2009; AbouAssi, 2013a). At the local level, NGO–government relationships do not improve: ‘Some actors tend to monopolize development; they consider themselves as the primary actor in a certain area and have the right to set priorities and activities’ (AbouAssi & Trent, 2013). Although several NGOs claim to have good working relations with local
governments, tension remains regarding development priorities and perspectives. Local governments in Lebanon focus on basic infrastructure, while NGOs, especially the local ones, prioritize social and economic needs. Consequently, the two sides try to exclude or work independently from each other at the local level (UNDP, 2009; AbouAssi & Trent, 2013).

Lebanese NGOs enjoy relatively more autonomy compared to their regional counterparts. The formal NGO registration process is fairly easy, simple and cheap, requiring a basic notification to be sent to the Ministry of Interior. However, the Ministry has been interpreting the process as a form of control over these organizations (AbouAssi, 2006). This has created unstable NGO–government relationships characterized by limited dialogue, considerable distrust and lack of collaboration.

Another facet of regulation of the nonprofit sector in Lebanon is self-regulation. Some NGOs recognize a need for self-regulation and have tried adopting and promoting a code of ethics. However, these efforts remain inadequate and unproductive. The inadequate institutional capacity of many organizations coupled with the lack of collaboration and self-serving desires has hindered a more developed practice of self-regulation (AbouAssi, 2006).

1.5 Culture

The population of Lebanon is less than four million with a population density of 404 people per square kilometer. Since 1932, there has not been any national census; the ethnic background of the Lebanese is divided as 83 percent Arab, 4 percent Armenian and 13 percent other. However, conflicting figures confuse the percentile distribution by religion and sect. Cautiously reporting, Lebanon is composed of 18 recognized religious communities, with 65 percent Muslims and 34 percent Christians (Lebanese Information Center, 2013). There is no separation between state and religion. Each religion has its traditions and institutions, recognized and supported by the government. Civil status affairs are strictly organized by each of the 18 religious communities. These institutions also own material properties and have extended their arms into the private and NGO sectors.

Lebanon is ranked 88th out of the 177 countries on UNDP’s 2008 Education Index (EI), which measures the country’s relative achievements in both adult literacy and combined primary, secondary and tertiary gross enrollment. One-third of the Lebanese population attended school in 2007; the illiteracy rate among ages 10 and above was 9.3 percent, with 6 percent among males and 12.4 percent among females (Central Administration of Statistics, 2007). The educational system is governed by the Ministry of Education, who controls curriculum and manages public schools and universities. Private schools enjoy certain discretion on curriculum. Free private schools are established by nonprofit organizations and receive some support from the government.
Looking at the socio-economic situation, the unemployment rate in 2009 was 6.4 percent, according to the Central Administration of Statistics, while estimates places it higher at 18.77 percent for 2012. The Central Administration of Statistics reports the employment to population rate to be 47.6 percent in 2009 (22.8 percent among women and 72.8 percent among men). Lebanon ranks 83 on the Human Development Index. The UNDP fact sheet on Lebanon states that ‘poverty estimates place extreme poverty at 8 percent of the Lebanese population in 2005 where around 300,000 individuals in Lebanon are unable to meet their basic food and non-food needs and around 28.5 percent are below the upper poverty line of 4 USD per capita per day.’ Around 87 percent of the income tax base comes from only 7 percent of taxpayers, and 1 percent of the Lebanese owns about 30 percent of the deposits in Lebanese banks (AbouAssi, 2006). However, this information needs to be further verified. While civil society organizations strive to provide assistance to marginalized groups alongside or in the absence of governmental programs, these economic conditions make it harder for such organizations to secure funding through fund-raising.

Despite the dire economic conditions, political turmoil and security instability that the Lebanese face, it is said that Lebanon’s main asset and reason for survival is its human capital. The Lebanese are known to be talented and well educated. Lebanon has a vibrant market economy and a cosmopolitan diverse socio-cultural environment. There is a high level of entrepreneurial spirit especially with half of the population under 25 years old. Lebanese are leaders in the fields of marketing, communication, design, medicine and others. In addition, there is an evident growing culture of leisure and consumerism favoring hi-tech products and fashion, and more openness toward Western norms and lifestyles than any other country in the Arab world. This is reflected in the nature of work that some recently established NGOs have undertaken.

1.5.1 Religion

The traditions of Lebanese philanthropy are still based upon the religious practices of the past, such as *waqf* and *sadaqa*, but the country continues to strive for a nonpartisan philanthropic environment (AbouAssi, 2006; Sharaiha & Ibrahim, 2009). Many of the philanthropic organizations in Lebanon are still faith-based, primarily serving social needs. Private foundations are often politically motivated and established by the elites to gain social favor. Many of the older religious institutions drive the philanthropic industry through the religious practices such as *zakat*, *sadaqa* and *waqf* in Islam. *Zakat* is one of the Five Pillars of Muslims, calling for the giving of obligatory alms. It is typically a donation to those in need within the community yet outside of the nuclear family. Thus, *zakat* could be perceived as a tax (Singer, 2008), ‘intended to purify the wealth on which it is calculated, legitimizing personal gain by reserving part of it for community benefit’ (Sharaiha & Ibrahim,
The Muslim can pay the zakat to a special fund managed by the Sunni religious establishment in Lebanon; however, there are other means to pay this duty. In addition, sadaqa is described broadly as charity, philanthropy or beneficence and refers to voluntary giving of all kinds, including wisdom, a smile or some other free service (Ibrahim & Sherif, 2008). The records on zakat and especially sadaqa are difficult to trace for two main reasons. First, they are sometimes performed individually, off the record, or as a simple form of charitable giving. Second, the payment can sometime take the form of goods or merchandise (Singer, 2008). In addition, there is often no published data on the zakat collected by the religious establishments.

Waqf, which is considered the prominent form of voluntary giving, means ‘to stop, confine, isolate, or preserve in perpetuity certain revenue or property for religious or philanthropic purposes’ (Singer, 2008, p. 92). It is generally considered to be a form of endowment, established in the name of a specific person as a way to give private wealth to the public benefit. Waqf includes schools, real estate or buildings habitually given to religious establishments. Therefore, waqf is easily traced due to the historical nature of real estate gifts registered with the government (Singer, 2008; Sharaiha & Ibrahim, 2009). The use of waqf as an endowment of land most notably contributes to the enduring value of land in Lebanon. The management and ownership of these real estates increase the power and income held by the religious establishments.

Needless to say, Christian charitable giving differs. Specifically, charitable giving is not a pillar in Christianity, but charity is indeed a religious obligation. The Christian form of zakat is the tithing and redistribution, while the Jubilee and churches have their own endowments. However, the practice of sadaqa is not limited to Lebanese Muslims; it is a social practice of voluntary beneficent giving to help the poor. In addition, the churches in Lebanon receive donations from the local members during the masses, ceremonies and holidays, as well as considerable donations from the rich people and the Christian diaspora. Finally, Muslim law recognizes the wafq made by Christians in the past. While the church cannot be the legal beneficiary of such gifts, an endowment for religious purposes can be created as long as its goals align with the stated intent of a wafq (AbouAssi, 2006).

1.5.2 Professionalism of fund-raising

The professionalism of fund-raising in Lebanon requires discussion of NGOs’ human resources. Only 56.5 percent of NGOs have paid staff, with the average of ten staff per organization. Others rely exclusively on volunteers (AbouAssi, 2006). Recognizing the capabilities and commitments of the volunteers, one cannot dismiss complaints about professionalism. The NGO sector offers easier access to jobs compared to the public or private sectors in Lebanon; however, salaries are relatively less competitive and benefits are limited (Helou, 2004).
An upward career path does not exist within the sector, and mobility between NGOs is criticized due to competition. Some NGOs prefer contracting staff on a project-by-project basis in order to avoid paying the required social security allowances. Thus, in general, there is no interest among NGOs in recruiting highly qualified or specialized staff who are usually attracted by international organizations or donor agencies. A survey by the author of around 50 environmental NGOs shows that these organizations do not have specialized or dedicated staff for fund-raising, which is usually organized on an ad-hoc basis by members of executive committees.

The majority of NGOs do not implement proper human resource management. A human resource policy either does not exist or is not shared with staff. Staff is hired in a non-transparent processes and without clear job descriptions, formal induction or even employment contracts. NGOs do not usually invest in human capital. Staff is not usually involved in decision-making. Training is not planned according to needs but rather is assigned on an ad-hoc basis, influenced by either personal favoritism or staff availability regardless of position, skill or training compatibility (AbouAssi, 2006; UNDP, 2009).

As discussed earlier, informal volunteerism is practiced more in Lebanon than volunteering through an NGO. There is poor understanding of the concept of volunteerism. Some NGOs do not rely much on volunteers in their activities; others are not active in recruiting volunteers. The management capacity of those organizations that attract volunteers lags behind the supply of volunteers. Moreover, there is a great confusion about how to treat and manage volunteers versus staff. In general, volunteers are wasted resources.

1.5.2.1 Organization of fund-raising
While there is no organization for fund-raising, the recent years have witnessed increased institutionalized training programs on fund-raising offered by academic institutions or capacity building organizations. Some of these programs are fee-based; others are free, funded by donors.

1.5.2.2 Major donors
The major philanthropists in Lebanon are usually politicians and businesspeople who have political interests. Philanthropy is widely used for political gains without denying altruistic motives. Hariri, Safadi, Fares, Makhzoumi and Frem are few political families that accumulated wealth in the private sector (mainly abroad) and are engaged in philanthropic giving. Some of these families have established their own organizations and provide in-kind donation to individuals or a mix of in-kind and financial support to other local organizations (AbouAssi, 2006; Sharaiha & Ibrahim, 2009). Another major philanthropist is the Saudi prince, Al-Waleed Bin Talal, whose mother is Lebanese. Al-Waleed Bin Talal is the only foundation in Lebanon, making grants to local NGOs and
providing donations to groups and individuals. Finally, as mentioned above, the Lebanese diaspora could be considered as major donors with aggregated contributions.

1.5.2.3 The role of financial advisory professionals
The level of support infrastructure in the nonprofit sector in Lebanon is weak (AbouAssi, 2006). Institutions that provide support and capacity building can be counted on a single hand. These institutions include research institutes and consultancy firms that are not specialized in the field but organize workshops, conferences and studies on civil society. One outstanding support institution is the NGO Resource and Support Unit, which launched in July 2004 as a collaborative initiative between UNDP in Lebanon and the Ministry of Social Affairs. The unit aims at assisting local organizations in increasing their capacities through information services and technical assistance. However, amidst the country’s current challenges, we do not expect financial advisory professionals, or institutions that provide advice on philanthropic matters to local organizations, to play a role in the sector’s near future.

1.6 Other relevant characteristics for Lebanon
Three important characteristics of the nonprofit sector in Lebanon that have direct implications on philanthropic giving and practices are the relationship with the media, the relationship with the private sector and networking among NGOs. NGOs’ relationships with the media are not positive, which is ‘a reflection of the problems of the NGOs themselves and their working context, including the lack of strategic thinking, poor networking between the NGOs, political polarization, and the marginalization of rural NGOs’ (UNDP, 2009, p. 29). NGOs use the media to cover activities in order to ensure visibility or to fulfill donor requirements. The number of NGOs using the media for advertisements and mass awareness campaigns funded by donors is increasing. The relationships sometimes develop into real partnerships among the few ‘elite’ NGOs that attract most of the media coverage based on political or personal connections (AbouAssi, 2006). In only these cases, the media is utilized to promote the work of an organization and attract the necessary support, especially financially. In general, the majority of NGOs do not capitalize on the country’s strong media.

NGOs’ relationship with the private sector manifests in three forms: sponsorship of events, in-kind donations and formalized corporate social responsibility (CSR). However, in general, NGO–private sector relationships are not institutionalized. The relationship is still influenced by personal contacts and relations. Furthermore, it is weakened by NGOs’ reliance on a ‘shopping list’ or ‘begging’ approach in dealing with the private sector, rather than using
a clearly outlined proposal to align missions and interests. Although private businesses express a growing interest in CSR, their relationships with NGOs are not developing quickly for two main reasons. First, some private companies implement CSR independently and do not rely on or partner with NGOs working in the same field. Second, and more importantly, the private sector lacks philanthropic incentives; laws on tax exemptions for public benefit and philanthropy are either outdated or ineffective (AbouAssi, 2006).

Lastly, networking among NGOs is weak, and inter-organizational communication is inadequate. Umbrella organizations exist, but their membership is relatively small or the assessment of their effectiveness is negative. Instances of collaboration remain isolated and temporal (AbouAssi, 2006; UNDP, 2009). NGOs tend to cooperate on time-sensitive initiatives or within case-based networks and campaigns, such as crises or elections, due to existing personal relations or donor pressure. Many Lebanese NGOs are members of national and international networks, but this does not necessarily apply to small rural NGOs (Abdel Samad, 2004). The effectiveness of these networks is questioned by the NGOs themselves; networks might be evident in periods of crisis and less evident at other times. A mild form of collaboration occurs through sharing of information and facilities (AbouAssi, 2006; UNDP, 2009). In general, competition and individualism are dominant, preventing organizations from pooling resources or joining efforts, neither to self-regulate the sector nor to raise funds and attract financial support.

2. Conclusion

In summary, Lebanese NGOs still struggle with their efforts. It is difficult to balance and address the need for voluntary membership, efforts to serve a common goal and the desire for institutionalized professionalism to effectively implement programs. Adequate financial, human and technological resources continue to be insufficient. Inter-organizational relations are underdeveloped and unbalanced, characterized by tension with the government, indifference toward the media, amateurism toward the private sector and submission to donors (AbouAssi, 2006, 2013a, 2013b).

The political and security situation in Lebanon adds additional problems. NGOs tend to halt their activities in periods of political conflict in order to avoid being affiliated with any side. In cases of emergencies, some NGOs shift their interest and focus to relief efforts. Disappointingly, NGOs continue to fail civil society in their unsuccessful efforts to ease political tensions. In addition, some NGOs feel pressured by political or religious groups that do not agree with their mission and objectives. As such, these NGOs might decide to exit specific areas if not suspend their activities.
Notes

1. The exchange rate used is US$1 = LBP1,500 (average exchange rate since 2004); the price adjustment to convert 2005 dollars to 2012 is 1.1. Source is http://www.bdl.gov.lb/.

2. The 2009 national budget allocates US$694.3 million for education, US$293.2 million for health and US$127.2 million for social services out of the total US$10.9 billion.

3. According to United States Bureau of Democracy, Human Rights and Labor's International Religious Freedom Report 2007, there are 18 recognized religious groups in Lebanon; however, not all these groups (e.g., Jewish sects) have political representation.

References


Giving in China: An Emerging Nonprofit Sector Embedded within a Strong State

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1. The philanthropic landscape

1.1 History

Although philanthropy is seen as a new phenomenon in China, it has a long tradition in to China’s history. Across time, the government has played a dominant role in providing social welfare to vulnerable groups. As early as the Western Zhou period (1046–771 BCE), a government office was designated to administer post-flood relief, famine relief and aid to the disabled (Zhou & Zeng, 2006). However, in a vast county governed by a multi-layered bureaucracy, the distance between the imperial center and the agricultural society can be so large that the conventional wisdom would say, ‘Imperial power stops at counties’ (zigu huangquan bu xiaxian) (Lieberthal, 2004). Below counties, the gentries – local wealthy landowners or Confucian scholars – functioned as a major provider of social services, distributing their wealth to address local needs. For thousands of years, China was mainly an agricultural society with low productivity. Poor climate conditions, floods, drought and epidemic diseases often fatally attacked the peasants. The gentries’ support to public projects and care for the vulnerable was a safety net in traditional China. For the gentries, donating and offering help to the needy was their moral obligation and a symbol of social status (Rowe, 2001; Kim, 2009). Although regarded today as philanthropic behavior, the gentries’ efforts were mainly confined to the communities they belonged to; giving beyond their communities was either not to the interest of local gentries or beyond their capacity (Fuller, 2010).

As Western missionaries entered China in the 19th century, they established charitable institutions such as orphanages and hospitals, and funded universities, which fostered a new philanthropic culture in Chinese society (Zhou & Zeng, 2006). For decades thereafter, Western-based private groups such
as the Rockefeller Foundation have provided funding for select social services in China (Bullock, 2011). Beginning in the 19th century, the philanthropic behavior of local wealthy merchants extended beyond their residential areas, especially to fight cross-regional disasters such as flood, drought and famine. In the early 20th century, the Red Cross Society of China was established and provided significant relief services during the Great Revolution. As the Republican government was constantly involved in domestic and international conflicts, numerous private philanthropic organizations developed to fill the gaps in disaster relief and care for orphans and the poor. In the anti-Japanese war and the civil war, both the Red Cross Society of China and the local philanthropic organizations provided medical services, took care of war victims and even buried dead bodies (Zhou & Zeng, 2006).

However, when the People’s Republic of China was founded in 1949, philanthropy came to a halt. It was viewed as unnecessary in a Socialist country, where the state was supposed to provide all social welfare to its citizens. Moreover, because many philanthropic organizations were founded and run by missionaries and their Chinese disciples, business owners and social elites unaffiliated with the new Socialist state, they were treated by the state as a legacy of the Republican Era that had to be erased. Therefore, most of these organizations were either dissolved or assimilated into the government. Non-state philanthropy did not revive until the 1990s, when the government started to allow social organizations to be more involved in disaster relief and other social services.

1.2 Size and scope of the nonprofit sector in China

By the end of 2010, China had about 446,000 non-governmental organizations (NGOs) registered with the Ministry of Civil Affairs. These include 245,000 social groups, 198,000 non-profit organizations and 2,200 foundations (Huang, 2012). However, many of these registered NGOs are either founded or backed by the state, thus known as government-organized NGOs (GONGOs) (Deng, 2010). In addition, due to very restrictive regulation of NGO registration, which requires a state or state-affiliated office to supervise any registered NGOs, many organizations are not registered. Including these unregistered organizations, the number of NGOs in China may range between two and four million (Gao & Yuan, 2008; Deng, 2010; Shawn & Deng, 2011).

The rapid growth of NGOs in China was partly a response to the fast economic development and its social consequences. As such, Chinese NGOs are active in three key areas. First, some organizations provide social services to vulnerable groups such as migrant workers’ children, the poor and the elderly. In these areas, NGOs serve as a complement to the government. Second, some function as advocacy groups who draw public attention to social issues such as the environment, consumer rights and public health, eventually pushing the
government to act on these issues. Finally, other groups use their expertise to embark on social innovations on a trial basis with the ultimate goal of spreading their experience to other areas (Zhu, 2007).

Despite the fast growth of NGOs, the nonprofit sector is still largely dominated and constrained by the state, which finances most of the social welfare programs. However, the sector is not a ‘social-democratic model’ as in Salamon and Anheier’s classification of nonprofit regimes (Salamon & Anheier, 1998). The civil society has yet to be strong enough to exert political power over the state through their expression of interests. Rather, the state maintains a certain level of autonomy although it is increasingly subject to the requests by vested interest groups. Therefore, China’s nonprofit sector is more similar to the ‘statist model,’ where both the social welfare protection by the state and the nonprofit sector are limited. With the nonprofit sector further expanding and the state increasingly stretched thin in providing social services, we expect a future shift from the statist model to a ‘corporatist model,’ where both a significant state social welfare regime and a large nonprofit sector exist.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

The government provides little funding to the rapidly growing nonprofit sector in China. According to the data released by the Ministry of Civil Affairs (Zheng, Peng, & Liu, 2010; Meng, Peng, & Liu, 2012), only 4.8 percent of total funding for the sector came from the government in 2009, and the number dropped to 0.8 percent in 2010. Rather, most funding comes from enterprises and individuals.

The government is one of the biggest receivers of donations from the general public, enterprises, foundations and even overseas sources. About 30 percent of yearly national donation in 2010 went to the civil affair bureaus at all levels, other government departments and party organs. GONGOs absorb another 30 percent of yearly national donation from society. Due to their affiliations with different government departments, these organizations tend to receive more financial support and funding allocation from the government than other NGOs.

In response to increasing public criticism of government use of public donations, the state has made efforts to gradually shift from being a donation receiver to a monitor of donations and their usage. Some local governments have conducted pilot projects to purchase social services from the nonprofit sector and allocated funding from the government budgets. For example, the Beijing municipal government proposed to allocate US$1.5 million to purchase social services from 30 civil society organizations for the elderly and handicapped care, poverty alleviation, health, and family and child care.
In Shenzhen, newly established grassroots NGOs can apply for government funds ranging from US$1,520 to US$3,040.

No official figure exists that measures how much the Chinese government spends on the nonprofit sector. Nevertheless, these initiatives and pilot projects explored by local governments have shown positive social impacts and stimulated promising development within the sector.

1.3.2 Fiscal incentives

In China, two main types of tax rules motivate donation behavior: pretax deduction and tax exemption. According to Article Six of the Individual Income Tax Law, ‘The part of income donated by the individuals into education and other public welfare causes shall be deducted from the income amount taxable in accordance with the relevant regulations of the State Council.’ Since China adopts a progressive tax system for individual incomes, the tax deductions are expected to incentivize individuals to donate.3 For various reasons, however, individual donations are often not deducted from taxable incomes. A former Ministry of Civil Affairs official, Wang Zhenyao, once told the press in 2005 that the yearly individual donation received by the civil affairs system in the nation was US$258.4 million, but the individual income tax deduction was zero.4

Three main factors explain this low tax deduction. First, most individuals either are not aware that donations are tax deductible or are not familiar with the regulations on tax deduction. Often, donations made at philanthropic events are not given invoices, thus making it impossible for individuals to claim deductions. Second, the complicated procedures and lengthy processes of tax deduction make it impractical if not impossible for many individuals. Third, only donations made to officially sanctioned tax-deductible nonprofit organizations are exempt from tax, excluding many grassroots organizations that have not been officially sanctioned.

Furthermore, the Enterprise Income Tax Law encourages corporations to donate by allowing deductions. Article Nine of the Law states that ‘Expenditure for public welfare donations may be deducted when computing taxable income if it is within 12 per cent of the total annual profits.’5 While the deduction for corporate donations is quite clear in the law, its application and refund processes are complicated and have been widely criticized.

According to the Chinese tax regulation, nonprofits have to pay tax on certain kinds of income. Two notices, announced by the Ministry of Finance and the State Council in 2009, mandate that nonprofit organizations pay Enterprise Income Tax and distinguish between taxable and non-taxable income. Only the interest of non-taxable income is tax exempt, while the income from government contracts for social services has to be taxed. The mass of unregistered grassroots NGOs can neither apply for tax exemption on their incomes
nor provide proof for their donors to apply for tax deduction, demonstrating the limited effectiveness of these fiscal incentives.

1.4 Regulation of the nonprofit sector

The Department of Civil Organizations Administration (thereinafter DCSOA) of the Ministry of Civil Affairs regulates the nonprofit sector. Civil affairs bureaus at the provincial, city and county levels register local social organizations and foundations within their jurisdiction. In order to obtain a legally registered status, nonprofit organizations must apply through a ‘dual registration and management system.’ More specifically, a nonprofit organization must obtain permits from two supervision agencies. One is called a ‘sponsor agency,’ which can be a government department or another authorized social organization. With the permission of the ‘sponsor agency,’ the organization can then register with a civil affairs bureau. However, it is difficult to convince a government department to sponsor an organization: the sponsor agency has little authority to manage the organization’s finances or operations, thereby bearing potential risks. Thus, government departments prefer to sponsor organizations that have close relations with the state or that are founded by former government officials. For other independent grassroots organizations, finding a sponsor agency is difficult; as such, registration is their top constraint.

1.5 Culture

1.5.1 Religion

Various religions have existed in China for thousands of years. Today, the religious population is over 100 million according to government statistics, but the actual figure may be much larger. A 2007 poll by the Chinese scholars estimated that 31.4 percent of Chinese aged 16 and above, or about 300 million, were religious (Wu, 2007). Culturally, many Chinese adopt Confucian beliefs and values, while major global religions such as Buddhism, Taoism, Islam and Christianity all have a significant number of believers in China. Among all, Christians attend religious services most often. A national survey conducted in 2008–2009 by the Institute of World Religions at the China Academy of Social Sciences shows that 57.8 percent of the respondents attended religious activities ‘very frequently’ and 38.2 percent did so ‘sometimes’ (Jin & Qiu, 2010).

Historically, religious institutions have been both a receiver of philanthropic giving and a major sponsor of public projects on roads, bridges, disaster relief, care for the vulnerable and more (Zhou & Zeng, 2006). Nowadays, a substantial amount of philanthropic giving still goes to religious institutions. While data on religious donation in China is limited, a figure released by the China Charity and Donation Information Center [zhongmin cishan juanzhu xinxi zhongxin] shows that, in 2009, some religious organizations received a total donation of US$253.8 million (Zheng et al., 2010). However, despite government regulation
on the usage of religious donations, state and non-state monitoring of religious institutions’ finances needs to be further improved.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

In China, the only actors authorized to raise funds for philanthropic purposes are the government, foundations, the China Charity Federation and the Red Cross Society of China. Both the Charity Federation and the Red Cross have strong government backing and, together with the government, received about 35 percent of the US$8.2 billion of total donations in 2009.

For the government, another major funding source for philanthropic causes is the lottery. Both the Ministry of Civil Affairs and the General Administration of Sports of China are authorized to issue lotteries for philanthropic causes. In 2009, the total lottery sale was US$20.1 billion and the net profit was US$6.3 billion – 22.9 percent more than the previous year. The philanthropic income from lottery sales is equally distributed between the central and local governments and used for public welfare programs, natural disaster relief and other projects.

Foundations in China include those that may solicit public donations and those that may only solicit private donations. By the end of 2009, there were 1,843 foundations in China: 1,029 public foundations, 800 private ones and 14 representative offices of foreign foundations.

Because the major donations in China come from enterprises, all types of fund-raising organizations focus their efforts on enterprises and adopt various solicitation methods. Some take full advantage of their government backing when soliciting donations from private enterprises. Others depend on private relations between the leaders of their organizations and business owners. At special times, such as after natural disasters, public foundations may solicit individual donations through the media and the government. Normally, however, Chinese foundations are not as active as their Western counterparts in fund-raising from the public. Nonetheless, some foundations have begun using the Internet to solicit public donations in recent years. The Tencent Foundation, founded in 2007 by a top Internet corporation in China, established an online donation platform where individuals can choose either to donate US$1.5 (10 RMB) every month to the foundation or to designate their donations to specific NGOs and programs. Some individuals may even launch their own philanthropic programs online.6

1.5.2.2 Major donors

Before 2008, individual donations had long been less than 20 percent of total donations in China. Although there was a surge of individual donations after the 2008 Wenchuan Earthquake, reaching 54 percent of the annual total,
this amount decreased to 30.4 percent in 2009. Donations by entrepreneurs account for the majority of individual donations. In 2009, individuals (usually entrepreneurs) gave an average donation of over US$1,520 (RMB 10,000), accounting for 70.7 percent of the total individual donations (Zheng et al., 2010).

Corporations are the major donors in China. In 2009, the total amount of both cash and non-cash donations by enterprises was US$2.9 billion – 58.5 percent of the total annual donations. Private enterprises donate US$1.2 billion, more than any other type of donor. In contrast, donations by state-owned enterprises were only 22.1 percent of the total (Zheng et al., 2010). Many private enterprises have made social responsibility a serious concern in their development, and philanthropy is regarded as a major channel to fulfill their social values. Like the ancient gentries and merchants, private entrepreneurs view philanthropy as a symbol of fashion, responsibility and social status. Moreover, foreign-owned enterprises or joint ventures often choose to conduct their own philanthropic projects rather than donating cash to others, primarily due to the strict auditing process on cash flow.

1.5.2.3 *The role of financial advisory professionals*
Maintaining and increasing the value of philanthropic donations is a crucial concern of fund-raising organizations. However, hardly any professional agencies exist in China to consult for fund-raising organizations on capital management. As such, the lack of financial advisory professionals in the sector may prevent wealthy individual donors from making donations.

Due to lack of professional advice on investment, most foundations keep a checking or savings bank account or purchase government-issued bonds, but rarely do they engage in commercial investment. Some foundations with government backing choose not to invest because of potential political risks. Only a small number of foundations conduct commercial investments with profitable returns, gaining professional financial consultation in the process. For example, either a board member works for an investment bank or their donations are from investment banks or agencies. With a continued increase of donations and periodical inflation, Chinese fund-raising organizations will have to more attentively maintain the value of their funds, and thus may have a higher demand for professional financial advisory agencies.

1.6 Other relevant characteristics for China

1.6.1 *State domination*
One of the major characteristics of charitable giving in China is state domination. According to one research finding, 80 percent of philanthropic giving for disaster relief after the 2008 Wenchuan Earthquake went to the government. Not only is the government the main donation receiver but it also wields
overwhelming power in the management of public foundations on the issues of personnel appointment, strategic planning, project operation and funds usage. State domination in the philanthropic industry prevents its healthy and more autonomous development, creating a lack of independent oversight and a monopoly of philanthropic projects. However, as more private foundations arise, they will gradually develop a more diversified philanthropic industry in China.

1.6.2 Philanthropy scandals

In the past two years, China has seen a series of scandals in the philanthropic industry, especially within government-backed organizations. In 2011, a young lady who identified herself as a staff affiliated with the Red Cross Society of China showed off her lavish lifestyle on her weibo account, a popular twitter-like micro-blog service in China, which instigated torrents of criticism online and offline to the organization and damaged the reputation of all government-backed philanthropic organizations. The Chinese media continued momentum to expose the scandals at other philanthropic foundations. The emergence of new social media has helped expedite the spread of such scandal news and facilitate the expression of public opinions in a country that lacks institutionalized participation channels. These scandals also expose a low level of public trust over government-backed philanthropic organizations and further tarnish their reputation.

2. Explaining philanthropy in China

2.1 Data and methods

For the data on China, we use the Survey of Philanthropic Behavior in China, which was conducted from August to December in 2011. Stratified multistage sampling method was employed to select 5,400 respondents. The first step was to identify 27 cities according to population size, economic level and regional distributions. The second step was to choose four communities in each city. The survey was conducted using face-to-face interviews. In total, 5,352 valid questionnaires were collected.

The dependent variables in the analysis are the dichotomous measure of whether people donated money and the natural log of the total amount of money that a respondent donated to philanthropic organizations in 2010. The survey measured donations made to nine charitable subsectors: religion, health, environment, education, culture/sports/recreation, disaster relief, poverty alleviation, help for the disabled and the elderly and other causes. The donations were measured by asking the respondent to state the total amount of money given to the charitable sector in 2010. Then the donation to subsectors was asked. Because the survey did not measure the amount of money given to each
subsector, we are not able to differentiate secular donation from religious donation. 2.1 percent of all respondents had no idea how much they donated or did not want to expose how much they donated.

2.2 Descriptive results

In 2010, the Chinese people donated a total of US$4.5 billion, equivalent to 0.3 percent of China’s GDP (Meng et al., 2012). According to our survey, 52 percent of Chinese people indicated to have made at least one donation in 2010. On average, a Chinese person donated US$22 in 2010. Table 21.1 displays the percentage of donors for different types of nonprofit subsectors in 2010.

In 2010, Chinese people donated most frequently to the sector of disaster relief (39 percent). There were a few devastating disasters in China in 2010, including the Yushu Earthquake in Qinghai Autonomous Region; as a result, the government and philanthropic organizations launched some donation activities to provide disaster relief. Although we do not have data from other years to demonstrate whether natural disasters increased giving in this sector in 2010, disaster relief generally attracts donations relatively easily, as natural disasters happen regularly and philanthropic donation activities usually are held afterward.

Following disaster relief, 20 percent of Chinese people made a donation to the cause of poverty alleviation. The most popular organization in this sector is the China Foundation for Poverty Alleviation (zhongguo fupin jijinhui, CFPA), which is affiliated with the Office of Poverty Alleviation and Development at the State Council. Furthermore, 12 percent of Chinese people donated to help for the disabled and elderly. Examples of these organizations are China Foundation for Disabled Persons [zhongguo canjiren fuli jijinhui] and China Foundation for

<table>
<thead>
<tr>
<th>Donors (%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>8</td>
</tr>
<tr>
<td>Environmental Protection</td>
<td>6</td>
</tr>
<tr>
<td>Culture/Sports/Recreation</td>
<td>2</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
</tr>
<tr>
<td>Disaster Relief</td>
<td>39</td>
</tr>
<tr>
<td>Poverty Alleviation</td>
<td>20</td>
</tr>
<tr>
<td>Help for the Disabled and Elderly</td>
<td>12</td>
</tr>
<tr>
<td>Other causes</td>
<td>1</td>
</tr>
<tr>
<td>Total secular causes</td>
<td>52</td>
</tr>
<tr>
<td>Total religious causes</td>
<td>1</td>
</tr>
<tr>
<td>Total all causes</td>
<td>52</td>
</tr>
</tbody>
</table>

Table 21.1 Percentage of donors to different philanthropic sectors in China in 2010 (N = 2,783)
the Elderly [zhongguo laonianren jijinhui], both of which have close government relations.

Beyond the above mentioned popular subsectors, 8 percent of the respondents made a donation to the subsector of education. Popular organizations in this sector are public foundations launched by different education offices in the government. Six percent of the respondents donated to environmental protection. An example organization in this sector is China Environmental Protection Foundation (zhongguo huanjing baohu). Three percent of respondents donated to the field of public health. Ayou Foundation is one of the popular organizations in this field and focuses on helping children with serious diseases. Despite a reportedly high amount of donation to religious groups, our survey was not able to fully capture individual donations for religious causes. Only 1 percent of respondents reported to have donated to religious causes in 2010. A possible reason is that people do not like to disclose their religious beliefs, as evidenced by the small number of self-reported religious believers (7.3 percent).

2.3 Explaining philanthropic giving in China

In this section, we look at the relationships between characteristics known to influence philanthropic behavior and the likelihood and amount people give to philanthropic organizations, religious and secular ones.

2.3.1 Incidence of giving

Table 21.2 displays the results of a logistic regression of whether or not people give to any philanthropic cause (total giving), to religious causes and to secular causes. With regard to total giving, 52 percent of respondents made a donation in 2010. Age was partly significant. People who were between 35 and 65 years old had a higher inclination to donate than those under 35 (OR = 1.18). However, people over 65 were not necessarily more likely to donate than those under 35. Those with more education had a higher probability of giving. People who had completed a secondary education had a higher probability of making donations compared to those with only primary education or less (OR = 2.60). People who had completed a tertiary education were also more likely to make a donation compared to people with only a primary education (OR = 5.60). Furthermore, men had a lower likelihood of making a donation compared to women in 2010 (OR = 0.81). Married persons were more likely to make a donation than unmarried persons (OR = 1.31). Although the influence of disposable household income was not significant (OR = 1.09), home ownership was a significant factor. People who owned a home were more inclined to give (OR = 1.32). Religious affiliation did influence the inclination to give. People who belonged to a religion had a higher likelihood of giving (OR = 1.69).

Because only 1 percent of respondents reported to have made a donation to religious causes in 2010, it is not surprising that the results for incidence of
Table 21.2  Logistic regression analysis of total, religious and secular giving in China in 2010 (N = 5,352)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving$^2$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.54**</td>
<td>0.14</td>
<td>0.21</td>
<td>-7.07**</td>
<td>0.91</td>
<td>0.00</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.16*</td>
<td>0.08</td>
<td>1.18</td>
<td>0.80</td>
<td>0.58</td>
<td>2.23</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.03</td>
<td>0.11</td>
<td>1.03</td>
<td>0.73</td>
<td>0.71</td>
<td>2.07</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.95**</td>
<td>0.11</td>
<td>2.60</td>
<td>0.70</td>
<td>0.66</td>
<td>2.01</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>1.72**</td>
<td>0.12</td>
<td>5.60</td>
<td>0.44</td>
<td>0.76</td>
<td>1.56</td>
</tr>
<tr>
<td>Male</td>
<td>-0.21**</td>
<td>0.06</td>
<td>0.81</td>
<td>-0.28</td>
<td>0.37</td>
<td>0.76</td>
</tr>
<tr>
<td>Married</td>
<td>0.27**</td>
<td>0.08</td>
<td>1.31</td>
<td>-0.28</td>
<td>0.44</td>
<td>0.76</td>
</tr>
<tr>
<td>Disposable household income$^1$</td>
<td>0.08$^(+)$</td>
<td>0.04</td>
<td>1.09</td>
<td>0.18$^**$</td>
<td>0.06</td>
<td>1.20</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.28**</td>
<td>0.06</td>
<td>1.32</td>
<td>0.19</td>
<td>0.39</td>
<td>1.21</td>
</tr>
<tr>
<td>Religious</td>
<td>0.52**</td>
<td>0.12</td>
<td>1.69</td>
<td>3.17$^**$</td>
<td>0.36</td>
<td>23.90</td>
</tr>
</tbody>
</table>

Notes: $^1$Disposable household income in US$/10,000; $^2$Secular giving comprises of giving to organizations in the fields of education, environmental protection, culture/sports/recreation, health, disaster relief, poverty alleviation, help for the disabled and elderly, other causes; **$p \leq 0.01$; * $p \leq 0.05$; (+)$p \leq 0.1$. 
religious giving are very different from the results for total giving. Most explaining variables are not significant, except for religion and disposable household income. Religious believers had a higher likelihood of making religious donations than those not religiously affiliated. Furthermore, people with higher disposable income were more likely to make a religious donation (OR = 1.20). Since only a small fraction of total donations was religious donation, the results for incidence of secular giving largely resembled the results for total giving.

2.3.2 Amount donated

Table 21.3 displays the results from a Tobit regression of the natural log of the total amount people gave to any philanthropic cause in 2010. The analyses of religious and secular giving were not conducted, because the amounts people donated to religious philanthropic causes and to secular philanthropic causes were not available.

The regression results show that people between 35 and 65 years old donated 24 percent more money than those under 35. Education also was significant. People who had completed a secondary education gave 1.4 times more than those with only a primary education or less, and people who had completed a tertiary degree gave 2.6 times more than those with only a primary education or less.

Chinese men not only had a lower likelihood of making donations in China, they also donated a lower amount. Men gave 21 percent less than women.

<table>
<thead>
<tr>
<th>Total giving</th>
<th>B</th>
<th>S.E.</th>
<th>Marginal effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>−3.25</td>
<td>0.32</td>
<td>−</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.40*</td>
<td>0.17</td>
<td>0.24*</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.08</td>
<td>0.24</td>
<td>0.05</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Secondary education</td>
<td>2.41**</td>
<td>0.25</td>
<td>1.43**</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>4.41**</td>
<td>0.27</td>
<td>2.62**</td>
</tr>
<tr>
<td>Male</td>
<td>−0.36**</td>
<td>0.13</td>
<td>−0.21**</td>
</tr>
<tr>
<td>Married</td>
<td>0.73**</td>
<td>0.18</td>
<td>0.43**</td>
</tr>
<tr>
<td>Disposable household income¹</td>
<td>0.30**</td>
<td>0.07</td>
<td>0.18**</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.79**</td>
<td>0.14</td>
<td>0.47**</td>
</tr>
<tr>
<td>Religious</td>
<td>1.21**</td>
<td>0.25</td>
<td>0.72**</td>
</tr>
</tbody>
</table>

Notes: ¹Disposable household income in US$/10,000; **p ≤ 0.01; *p ≤ 0.05.
Being married also affected the level of philanthropic donations. Compared to those who were not married, the married persons gave 43 percent more.

Disposable household income was also a significant factor. People who earned US$10,000 more on a yearly basis gave 18 percent more money to philanthropic organizations. Homeownership had a positive impact on the amount people gave. Being a home owner corresponded to a 47 percent higher predicted giving. People who belonged to a religion gave 72 percent more compared to people with no religious belief.

3. Conclusion

China has a long history of charitable giving and philanthropy. Confucianism, Taoism, Buddhism and other traditional values and beliefs all teach people to be kind to others, be generous to the needy and make sacrifices for the good of others. For centuries, local elites were committed to maintaining the integrity of their communities when natural disasters occurred and when some groups needed immediate help. The philanthropic tradition halted for about 30 years after the Communist government was founded, but revived very rapidly in the 1980s and 1990s.

In the past two decades, philanthropic giving in China has displayed four main characteristics. First, the state dominates the philanthropic industry. The government is the most substantial receiver of philanthropic donations in China. Despite this and the fact that public spending is very high in China, the nonprofit sector receives very little funding from the government. Moreover, the government backs many GONGOs and public foundations and has a significant control over their management. Second, the major donors in China are enterprises, both state-owned and private ones. About 80 percent of donations in 2010 came from enterprises. For this reason, fund-raising organizations in China pay more attention to the social values and needs of enterprises; however, public accountability of the nonprofit sector is more controversial as individuals donate only a small portion to philanthropic organizations. Third, because many philanthropic organizations receive government backing and some philanthropy scandals have been exposed in recent years, public trust over philanthropic organizations has decreased, which will likely affect future donations. Finally, the Chinese tax system does not effectively incentivize charitable giving, which hinders potential donors.

Against this backdrop of characteristics, we look at the survey results on Chinese individual giving in 2010. Our survey indicated that 52 percent of the Chinese people donated for philanthropic causes in 2010, donating US$ on average. The Chinese donations are concentrated in the fields of disaster relief, poverty reduction and help for the disabled and the elderly and are less focused on the issues of environment protection, health and culture and recreation.
This finding reflects two points. First, the Chinese people are more willing to give for immediate causes than for long-term causes, which is partly due to more fund-raising among the general public for the former than the latter. Second, the Chinese continue to hold traditional values of equality (‘Less concerned of poverty, more concerned of inequality’ [bu huan gua er huan bu jun]) and inclusiveness (‘Inclusive Love’ [jian ai]). In general, middle-aged, more-educated, wealthier, religious and married women are more likely to give, and give more, than young, less-educated, poorer, nonreligious and unmarried men.

In conclusion, the Chinese nonprofit sector faces considerable challenges within the strong state. Nevertheless, it continues to develop and diversify, slowly shifting the philanthropic environment from a statist to a corporatist model with a large, nonprofit sector.

Notes


References


Giving in Hong Kong: A Growing Sector Evading Regulation

Elaine Chan and Wai Fung Lam

1. The philanthropic landscape

1.1 History

When Hong Kong became a British colony in 1842, it was a small fishing village with a couple of thousand inhabitants. The British government saw Hong Kong as a gateway to business in China. When it assumed governance of Hong Kong, its main policy objective was to maintain order. Local Chinese were allowed to continue with their way of life, keeping their religious beliefs, traditions and customs. To a certain extent, the British and Chinese populations lived almost as two segregated societies.

The British government left the local Chinese population to resolve issues for themselves, leading to the development of civil society organizations and non-government organizations (NGOs). They formed guilds of various natures, some of which operated like today’s professional associations. These guilds established regulations and codes of conduct, worked to defend members’ rights and further their interests (like labor unions) and functioned as mutual aid societies that took care of their members’ well-being (Faure, 1997).

The provision of social welfare was generally left to the NGOs. In 1843, the Medical Missionary Hospital of Hong Kong was established, becoming the first hospital to offer Western medical treatment to the Chinese population. However, due to the distrust in Western medicine, the Tung Wah Hospital was opened in 1870 to offer Chinese medical service to the local community. Although the Hong Kong government allocated funds to build the hospital, operation costs thereafter were to be secured from other sources. This arrangement gave wealthy businessmen and guilds the opportunity to be involved in community-wide welfare. Over time, the Tung Wah Hospital took on more community work and served as a bridge between the Chinese community and the Hong Kong government. In 1878, Po Leung Kuk, another important NGO, was created to protect and give shelter to women abducted and sold...
into prostitution (Sin, 1997). Religious organizations were also involved in the provision of welfare since the early days of the colony. In 1842, foreign missionaries started the Morrison Education Society. Missionary schools continue to play a role in Hong Kong’s education system.

The heavy involvement of wealthy businessmen and missionaries in social welfare continued until the early 1950s, when an influx of refugees from mainland China increased demand beyond the capacity of these supporters. Consequently, local NGOs had to appeal to developed countries, overseas relief organizations and humanitarian aid agencies for funding. Until this time, the Hong Kong government played a minimal role in welfare provision.

Social unrest in the mid-1960s prompted the Hong Kong government to expand its role in welfare provision. Since the 1970s, the government has been the major financer of housing, health care, education and social services. Despite the government’s heavy involvement in social welfare provision, the number of NGOs has not decreased, remaining relatively stable at around 1,600 to 1,700 from the mid-1970s to the early 1990s. Rather than replacing NGOs in service provision, the government actually regarded its relationship with NGOs as a partnership, in which the government supplied the funds and NGOs provided the services (Lam & Perry, 2000).

Soon after Hong Kong was re-united with the People’s Republic of China (PRC) in 1997 and became the Hong Kong Special Administrative Region, it was hit hard by the Asian financial crisis. Faced with decreased revenue, the government reduced its funding of various social services (Hong Kong SAR Government, 2012b) and changed its welfare funding policy, despite vociferous objections from NGOs. This new funding model strained the relationship between the government and NGOs, dissolving the previously cordial and trusting partnership. Their relationship has not recovered since.

1.2 Size and scope of the nonprofit sector in Hong Kong

Hong Kong is not a welfare state, but the government provides subsidies in education, housing, health and public hospital services. NGOs are particularly active in the provision of education and welfare services. In 2007–2008, the government funded 82.1 percent of primary schools and 71 percent of secondary schools in Hong Kong (Census and Statistics Department, 2012, Table 12.2, p. 336). Most of these publicly funded schools are run by NGOs and religious bodies. Similarly, 80 percent of government-funded social welfare services were provided by subvented NGOs in 2008 (Lump Sum Grant Independent Review Committee, 2008).

The state–nonprofit sector relationship in Hong Kong is a hybrid of statist and corporatist and thus is described as statist-corporatist. Under this model, the state enjoys a relatively high level of autonomy vis-à-vis society, has a rather
low level of commitment to welfare provision, and is the major source of support for NGOs. At the same time, NGOs are very active in a few selected areas of social welfare provision. However, since NGOs are heavily financed by the government, they are not entirely autonomous (Lee, 2005).

Not all NGOs are eligible for charity status in Hong Kong. An organization or a trust is considered a charity when it is established for public benefit to (a) relieve poverty; (b) advance education; (c) advance religion; or (d) help the Hong Kong community (Inland Revenue Department, 2010). According to this definition of charity, organizations that have a political nature, such as policy advocacy groups or political think tanks, may be NGOs but are not considered charities.

In December 2007, the Inland Revenue Department (IRD) reported there were 5,123 charitable organizations in Hong Kong. One-fifth of these were committed to the relief of poverty, 35 percent focused on the advancement of education, another 35 percent was devoted to the advancement of religion and the remaining 10 percent worked on various areas. For the assessment year of 2006–2007, charitable donations approved for tax deductions under profits tax and individual salaries tax were US$275.6 million and US$482.1 million, respectively (Inland Revenue Department, 2010). The number of charitable organizations increased to 7,194 at the end of March 2012. For the assessment year of 2010–2011, donations that were tax deductible under profits tax and salaries tax amounted to US$478.2 million and US$705.1 million, respectively (Inland Revenue Department, 2010) (Table 22.1).

Hong Kong was ranked 19th in the world on the World Giving Index 2012. The index is composed of three items: the percentages of the population giving money, volunteering time and helping a stranger. It reported that 64 percent of Hong Kong society gave money in 2011. Data from five years (2007–2011) placed Hong Kong in ninth on the Index, with an average of 70 percent of the population giving money to charities (CAF, 2012).

Table 22.1 Tax-deductible donations

<table>
<thead>
<tr>
<th>Year of assessment</th>
<th>Profits tax (US$ million)</th>
<th>Salaries tax (US$ million)</th>
<th>Total (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>164.1</td>
<td>370.5</td>
<td>534.6</td>
</tr>
<tr>
<td>2004/05</td>
<td>220.5</td>
<td>434.6</td>
<td>655.1</td>
</tr>
<tr>
<td>2005/06</td>
<td>229.5</td>
<td>435.9</td>
<td>665.4</td>
</tr>
<tr>
<td>2006/07</td>
<td>275.6</td>
<td>482.1</td>
<td>757.7</td>
</tr>
<tr>
<td>2007/08</td>
<td>321.8</td>
<td>579.5</td>
<td>901.3</td>
</tr>
<tr>
<td>2008/09</td>
<td>388.5</td>
<td>642.3</td>
<td>1,030.8</td>
</tr>
</tbody>
</table>
1.3 Government policy in the nonprofit sector

1.3.1 Government support

In 2010–2011, the Social Welfare Department (2011) allocated US$1,102.6 million (HK$8.6 billion) to pay for recurrent subventions of NGOs. The sum accounted for 22 percent of the department’s total estimated expenditure for the financial year. Another major source of funding for NGOs is the Lotteries Fund, which in 2010–2011 gave welfare NGOs US$115.4 million (HK$0.9 billion) (Hong Kong SAR Government, 2012a).

1.3.2 Fiscal incentives

Organizations that have acquired a ‘charitable’ or a ‘trust of a public character’ status are not liable to tax, and donations to such organizations are tax deductible. If such an organization has trade or business-related activities, its profits are tax exempt when used for charitable purposes and spent in Hong Kong. Furthermore, such an organization has to be under the jurisdiction of the Hong Kong courts.

When taxpayers or for-profit organizations make donations of over HK$100 to charities or trusts of public nature approved by the IRD, these donations are eligible for deduction from their assessable profits or salaries. At present, deductions are capped to no more than 35 percent of assessable individual salaries and company profits.

In general, donations are understood as gifts, meaning that they are given away voluntarily and are usually a donation of money. If the gifts are in the forms of land or works of art, they will not be eligible for income tax exemption, but they may be exempt from stamp duty.

1.4 Regulation of the nonprofit sector

Hong Kong has no comprehensive legal framework regulating charities. Neither a central registration authority nor an overseeing body monitors the activities of charities. However, in response to the fast expanding sector, the Charities Sub-committee of the Law Reform Commission of Hong Kong (2011) published a consultation paper in favor of setting up a Charities Commission similar to that of the United Kingdom. Civil society organizations in general did not support the recommendation. Subsequently, the Charities Sub-committee (2013) proposed a centralized registration system for all charities as well as a number of measures to increase the levels of transparency and accountability of charities that seek public donations.

To gain tax-exempt charity status, an organization must become one of the following: (1) a company that may be limited by shares or by guarantee, and incorporated under the Companies Ordinance; (2) an unincorporated
association which may or may not be required to be registered under the Societies Ordinance; (3) a trust; or (4) a statutory body established under a specific Hong Kong Ordinance.

Oversight of charitable organizations is scattered across different government departments. If the charity is a statutory body\textsuperscript{11}, control is comprehensive and strict; it is required to keep, among others things, an audited account, which is open for inspection by its directors or any person appointed to the task by the government. If the charity is registered as a company incorporated under the Companies Ordinance, it is required to file its annual returns with the Companies Registry. However, the Companies Registry does not oversee the conduct of charitable organizations. If the charity receives government funding to provide social services, it must report to the relevant government department that is responsible for that particular service. Hence, government-subsidized schools report to the Education Bureau. Other charitable organizations, such as overseas charities established in Hong Kong, or charities that do not receive government funding are self-governed.

The role of the IRD is limited to the granting of charitable status to organizations. Charitable organizations are neither required to register nor monitored by the IRD.\textsuperscript{12} Furthermore, charitable organizations are not compelled by law to submit annual organizational or financial reports. The IRD demands charities that are established in the form of incorporated companies to submit audited accounts every four years. For charities that are registered as societies or unincorporated associations, the IRD requires only self-certified accounts. The IRD conducts periodic reviews of charitable organizations for the purpose of extending the tax exemption status, but this inspection is not obliged by law.

It is common for charities to raise funds through selling flags, small tokens and lottery tickets. Such fund-raising in public places is subject to the oversight of various government departments, and audited accounts statements are usually required – regardless of whether the funds raised are intended for local or overseas causes. However, the government does not monitor fund-raising activities that take place in private venues, such as charity auctions, balls, concerts, and dinners or by means of mail or the Internet.

There have been growing concerns about the levels of accountability and transparency of charities in Hong Kong. Without a central regulatory authority, guidelines have been drafted for internal governance and fund-raising. For example, the Social Welfare Department (2002, 2004) published the ‘Leading Your NGO: Corporate Governance: A Reference Guide for NGO Boards’ as well as the ‘Reference Guide on Best Practices for Charitable Fund-Raising Activities.’ The Independent Commission Against Corruption (2009) published the ‘Best Practice Checklist for the Management of Charities and Fundraising Activities.’
1.5 Culture

1.5.1 Religion

According to the Hong Kong Government (Hong Kong SAR Government, 2011), the most popular religions are Buddhism and Taoism; each has a million followers (14 percent of Hong Kong population). There is also a large Christian community in Hong Kong with about 480,000 Protestants (7 percent) and 363,000 Catholics (5 percent). The Muslim community is estimated to have 220,000 members (3 percent), out of which 30,000 are Chinese and 120,000 are Indonesian. The remaining are mostly Hong Kong-born Pakistanis, Indians, Malaysians and other non-Chinese ethnicities. Additionally, there are about 40,000 Hindus (1 percent) and 10,000 Sikhs in Hong Kong.

Hong Kong is not a very religious society. The official figures above show that out of a population of 7.1 million, only a fraction has religious beliefs. Similarly, a territory-wide questionnaire survey in 2010 revealed that merely 25.6 percent of its respondents said they had religious beliefs. Furthermore, out of the believers, 15.8 percent admitted that they were not devout to their religion; only 11.7 percent said they were ‘very committed,’ and 38.8 percent were ‘quite committed’ (Policy 21 Ltd, 2011, p. 17).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Fund-raising gained urgency with the introduction of the Lump Sum Grant Subvention System in January 2001, which was a major revamp of the funding and management of welfare NGOs. Although the Lump Sum Grant presumably affords welfare NGOs higher degrees of flexibility, particularly with regard to human resources, it has also increased pressure for NGOs to raise funds to maintain staff and develop programs.

For small NGOs, fund-raising mostly entails submitting proposals to the government or major funding sources such as the Jockey Club, the Community Chest and the Lotteries Fund. As fund-raising is becoming professionalized, NGOs seek to have their own fund-raising officers. International NGOs in Hong Kong such as Oxfam Hong Kong, Medecins Sans Frontieres and Greenpeace, as well as local NGOs like Green Power, Hong Chi Association, and Christian Action, all have in-house fund-raising officers.

In the past, professional fund-raising was usually carried out by public relations companies. However, as fund-raising activities became more diverse, fund-raising organizations began to appear in the last decade or so. In August 2003, the first professional fund-raising consultant company, Mission Support Ltd, was established. It specializes in soliciting monthly donations on the street. After five years in operation, it has close to 80 staff members and has raised HK$130,000,000. Among Mission Support’s clients are major international
NGOs such as World Wild Fund, Aids Concern, Medecins Sans Frontie\-\-\-\-eres, Green Peace and Plan. There are now a handful of professional fund-raising companies in Hong Kong.\(^\text{15}\)

As fund-raising becomes professionalized, there is an increasing need to monitor NGOs’ standards of fund-raising activities, accountability and transparency. Other than rules, regulations and guidelines provided by the government, similar efforts have begun from within civil society. In March 2003, the Association of Fundraising Professionals (Hong Kong Chapter) was established. The Hong Kong Council of Social Service, the largest umbrella organization for NGOs in Hong Kong, launched WiseGiving in late 2007 – a voluntary platform for NGOs to disclose their missions, structure, activities, governance and financial situation. In late 2010, i-Donate, a charity watchdog that uses Charity Navigator’s methodology to rate charities, was established. Furthermore, since a considerable amount of donations are monthly donations solicited on-the-street, the F2F Monthly Giving Alliance issued a code of practice for face-to-face fund-raising in February 2012. Nineteen charitable organizations have pledged to abide by the code.\(^\text{16}\)

1.5.2.2 Major donors

Hong Kong lacks a systematic study of major donors, therefore making it difficult to name major donors. Prominent wealthy businessmen often donate through their own foundations. The tycoons of the three biggest property developers in Hong Kong – Li Ka-Shing, the Kwok brothers and Lee Shau Kee – all have their own foundations. Li Ka-Shing pledged to allocate one-third of his assets to his foundation and has given away US$1.66 billion since his foundation was established in 1980. The Kwok brothers set up the SHKP-Kwoks’ Foundation in 2002, giving away RMB 350 million in scholarships to Chinese students. Another real estate mogul, Lee Shau Kee, also has donated through his own foundation. The Lee Hyson Foundation – closely tied to Hyson, a leading property developer in Hong Kong – has provided funding to a great number of projects in poverty relief as well as arts and culture over the years.

There are many family foundations in Hong Kong; however, it is hard to measure the exact total annual amount of donations. The foundations named in the previous paragraph do not provide annual reports of their work. Many smaller foundations give through various channels, but unfortunately there are no systematic reports of their good deeds.

Apart from foundations, there are three major sources of funding for NGOs. First, the Hong Kong Jockey Club Charities Trust receives its funding from the Hong Kong Jockey Club, which is a nonprofit organization and therefore is obliged to use its surplus funds on community and charitable projects. In 2011–2012, it gave US$221.7 million (HK$1,729 million) to 155 charities and community projects. Second, the Lotteries Fund was established in 1965
by Resolution of the Legislative Council for the purposes of supporting welfare projects. During 2012–2013, it gave out US$229.9 million (HK$1,793 million), half of which was allocated to elderly services and another quarter (US$55.9 million) to social welfare support.\(^{17}\) Finally, the Community Chest – modeled after the United Way of America – was established by the Community Chest Ordinance in 1968. In 2011, it received around US$44.9 million (HK$350 million) in donation and gave US$37.4 million (HK$292 million) to member agencies (Community Chest, 2012).

1.5.2.3 The role of financial advisory professionals

A Barclays Bank study found that 16 percent of high net worth individuals in Hong Kong considered charity to be one of their top spending priorities. Compared to 41 percent in the United States, 28 percent in Taiwan and 23 percent in Singapore, Hong Kong’s figure was comparatively low. In fact, it ranked 15th among 20 some countries in the survey (Barclays Wealth, 2010). Although major banks in Hong Kong, such as HSBC, UBS, Standard Chartered and Citi Bank, offer philanthropy services and values-based investing to their high or ultra-high net worth clients, it is not clear the extent to which these services are used by their clients.

1.6 Other relevant characteristics for Hong Kong

The amount of donations released by the IRD is likely to be lower than the actual amount. There are two major reasons for the under-reporting. First, single donations less than US$12.8 (HK$100) are not reported to IRD. However, the total sum of these small donations is likely substantial. The most popular way for NGOs to raise funds – selling flags, tokens and/or raffle tickets on the streets – consists mostly of small donations. Usually pedestrians give a few dollars to buy a ‘flag,’ or they buy a few raffle tickets, each costing HK$10 to HK$20. Sometimes, NGOs simply set up donation boxes in public areas. People often are willing to give as long as the cause appeals to them. One example in particular serves to illustrate the popularity of on-the-street fund-raising. Over the past ten years, Hong Kong residents have taken to the streets in tens of thousands on July 1 to demand the government to act on issues of their concern.\(^{18}\) A lot of NGOs use this day as an opportunity to fund-raise. In the midst of a rain storm, the Occupy Central movement\(^{19}\) received US$103,000 (HK$800,000) during the July 1 protests in 2013, and a student NGO that oversees national education received US$92,300 (HK$720,000) in donation.\(^{20}\) However, such donations are not reported to the IRD.

Second, Hong Kong has a tradition of informal and anonymous giving (Economist Intelligence Unit, 2011). In Chinese culture, members of a family have the responsibility to help one another if the need arises. Also, the Chinese are taught to not publicize their good deeds; publicly announcing how much
good one has done is frowned upon. Thus, many large donations are made anonymously.

Furthermore, other than the traditional form of check-writing, new types of philanthropy have emerged. Impact investment, social enterprise, values-based investment, social business and venture philanthropy are all options available to philanthropists in recent years. The government also encourages these new forms of giving. In particular, it has put in extensive effort and given considerable support to social enterprises in Hong Kong in the last few years. Its support comes in the forms of start-up funds and partnership programs that team up with NGOs and businesses.

2. Explaining philanthropy in Hong Kong

2.1 Data and methods

No comprehensive data exists on giving in Hong Kong. The IRD releases figures of the total amount of tax exempt donations from individual and profits tax. These donations are over HK$100 and are given to organizations that have been granted charity status. However, as alluded to earlier in the chapter, not all charitable organizations have applied for tax exemption, and small donations are not tax exempted. Thus, the actual amount of donations is likely to be higher than the figures reported by the IRD. In the absence of comprehensive giving data, the following analyses rely on a door-to-door questionnaire survey of the Hong Kong population in 2007. A representative sample of 1,009 individuals between the age of 15 and 69 was interviewed, yielding a response rate of 70.6 percent. As data were collected from individual respondents, corporate giving was not included in the dataset.

2.2 Descriptive results

Half of the respondents (50.7 percent) reported to have donated money in the last 12 months. The majority of them gave to social service organizations (76 percent). Many also gave to schools or educational bodies (39.5 percent) and religious organizations (25.7 percent). Comparatively, professional associations (8.9 percent) and political parties (2.7 percent) received less support.

The survey only contains information on the nature of the charities to which the respondents have given; it does not include the names of the organization. Considering the historical development of NGOs in Hong Kong, it is not surprising that most of the respondents gave to social service organizations. Traditional social service organizations such as the Tung Wah Hospitals Group and Po Leung Kuk still hold large-scale public fund-raising campaigns each year, such as variety shows and Cantonese opera performances. These fund-raising activities not only raise the public profile of the organization but also make fund-raising almost a household activity. Furthermore, because of the
changes in government’s funding policy for NGOs, it has become necessary for NGOs to actively seek donations and alternative funding sources. Survey results show that people usually made small donations. Most of the respondents (41 percent) gave less than HK$100 in the last 12 months, one-third gave between HK$100 and HK$500; 10 percent gave between HK$501 and HK$1,000; and 8 percent gave between HK$1,001 and HK$5,000. Only 1 percent gave over HK$10,000.

2.3 Explaining philanthropic giving in Hong Kong

2.3.1 Incidence of giving

Just over half of the respondents (50.7 percent) claimed to have made a donation in the last year. Table 22.2 contains the logistic regression on the decision to give. Other than demographic variables, a few other variables were entered into the regression analysis. These variables include formal volunteering, participation in organizational activities, level of general trust, sense of belonging to Hong Kong and degrees of confidence in the economy and politics. The table contains results from three logistic regressions – total giving, religious giving and secular giving.

Table 22.2 shows that the decision to give (total giving) has little to do with a person’s demographic background or his/her household income. Whether a person is male or female, young or old, single or married, more or less educated and more or less wealthy does not make him/her more likely to give to charities. Contrary to findings elsewhere, giving in Hong Kong is unrelated to volunteering. Giving is also not predicted by a person’s degrees of general trust, sense of belonging and confidence in the economy and political future. The only variable that effectively predicts giving was participation in organizational activities. A person who is active in organizational activity is three times more likely to give than his/her inactive counterparts.

Factors affecting religious giving do not greatly differ from non-religious giving. Participation in organizational activities is a significant factor in both cases, although it is more important in the case of religious giving. Compared to their inactive counterparts, individuals who take part in organizational activities are five times more likely to give to religious organizations and two times more likely to give to non-religious bodies. Religious giving is more common probably because givers take part in religious activities. General trust is a factor in religious giving only: people who have less trust are more likely to give to religious organizations.

2.3.2 Amount donated

The survey did not ask for the exact amount of donations the respondents made in the past year; instead they were asked to indicate the range within which their donations fell. To ascertain the factors affecting the amount of
Table 22.2  Logistic regression of decision to give (N = 1,009)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Giving except religious organizations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15–19</td>
<td>−0.482</td>
<td>0.622</td>
<td>0.617</td>
<td>−0.430</td>
<td>0.981</td>
<td>0.651</td>
</tr>
<tr>
<td>20–24</td>
<td>−0.357</td>
<td>0.646</td>
<td>0.700</td>
<td>1.326</td>
<td>0.919</td>
<td>3.767</td>
</tr>
<tr>
<td>25–29</td>
<td>0.056</td>
<td>0.581</td>
<td>1.057</td>
<td>0.617</td>
<td>0.894</td>
<td>1.853</td>
</tr>
<tr>
<td>30–39</td>
<td>−0.142</td>
<td>0.434</td>
<td>0.868</td>
<td>0.305</td>
<td>0.649</td>
<td>1.357</td>
</tr>
<tr>
<td>40–49</td>
<td>0.554</td>
<td>0.405</td>
<td>1.740</td>
<td>0.148</td>
<td>0.613</td>
<td>1.160</td>
</tr>
<tr>
<td>50–59</td>
<td>−0.024</td>
<td>0.393</td>
<td>0.976</td>
<td>0.652</td>
<td>0.583</td>
<td>1.920</td>
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<tr>
<td>60–69 (ref.)</td>
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<td>−</td>
<td>−</td>
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<td>−</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>−0.423</td>
<td>0.210</td>
<td>0.6558</td>
<td>0.144</td>
<td>0.286</td>
<td>1.155</td>
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<tr>
<td>Female (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td><strong>Educational attainment</strong></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>University</td>
<td>0.583</td>
<td>0.667</td>
<td>1.792</td>
<td>−0.607</td>
<td>0.838</td>
<td>0.545</td>
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<td>Post-secondary</td>
<td>0.689</td>
<td>0.663</td>
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<td>−0.614</td>
<td>0.837</td>
<td>0.541</td>
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<td>Matriculation</td>
<td>0.293</td>
<td>0.667</td>
<td>1.340</td>
<td>−0.859</td>
<td>0.877</td>
<td>0.423</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>0.280</td>
<td>0.574</td>
<td>1.323</td>
<td>−0.445</td>
<td>0.726</td>
<td>0.641</td>
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<tr>
<td>Lower secondary</td>
<td>0.211</td>
<td>0.560</td>
<td>1.235</td>
<td>−0.929</td>
<td>0.729</td>
<td>0.395</td>
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<tr>
<td>Primary</td>
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<td>0.565</td>
<td>1.744</td>
<td>−0.364</td>
<td>0.731</td>
<td>0.695</td>
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<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
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<tr>
<td><strong>Marital status</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Single</td>
<td>0.115</td>
<td>0.326</td>
<td>1.122</td>
<td>−0.329</td>
<td>0.514</td>
<td>0.719</td>
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<td>Widowed, Divorced/Separated</td>
<td>−0.114</td>
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<td>0.892</td>
<td>0.156</td>
<td>0.622</td>
<td>1.169</td>
</tr>
<tr>
<td>Cohabit/Married (ref.)</td>
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<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td><strong>Household income</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below HK$5,000</td>
<td>−0.987</td>
<td>0.441</td>
<td>0.3738</td>
<td>−0.395</td>
<td>0.628</td>
<td>0.674</td>
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</table>
Table 22.2 (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Giving except religious organizations</th>
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</thead>
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<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>HK$5,000–HK$9,999</td>
<td>−0.454</td>
<td>0.382</td>
<td>0.635</td>
<td>−0.131</td>
<td>0.552</td>
<td>0.877</td>
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<tr>
<td>HK$10,000–HK$14,999</td>
<td>−0.307</td>
<td>0.337</td>
<td>0.735</td>
<td>−0.164</td>
<td>0.442</td>
<td>0.849</td>
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<tr>
<td>HK$15,000–HK$19,999</td>
<td>0.245</td>
<td>0.366</td>
<td>1.278</td>
<td>0.084</td>
<td>0.469</td>
<td>1.088</td>
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<td>HK$20,000–HK$24,999</td>
<td>−0.118</td>
<td>0.370</td>
<td>0.889</td>
<td>−0.152</td>
<td>0.485</td>
<td>0.859</td>
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<td>HK$25,000–HK$29,999</td>
<td>0.250</td>
<td>0.442</td>
<td>1.285</td>
<td>0.273</td>
<td>0.562</td>
<td>1.314</td>
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<td>HK$30,000 or above (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Formal volunteering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.622</td>
<td>0.293</td>
<td>1.8638</td>
<td>0.558</td>
<td>0.333</td>
<td>1.747</td>
</tr>
<tr>
<td>No (ref.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation in organizational activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1.138</td>
<td>0.217</td>
<td>3.120***</td>
<td>1.634</td>
<td>0.305</td>
<td>5.122***</td>
</tr>
<tr>
<td>No</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>General trust</td>
<td>−0.069</td>
<td>0.050</td>
<td>0.934</td>
<td>−0.229</td>
<td>0.068</td>
<td>0.796***</td>
</tr>
<tr>
<td>Sense of belonging to HK</td>
<td>0.128</td>
<td>0.065</td>
<td>1.1378</td>
<td>0.150</td>
<td>0.095</td>
<td>1.162</td>
</tr>
<tr>
<td>Confidence in the economy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>0.030</td>
<td>1.482</td>
<td>1.031</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Not sure</td>
<td>−0.617</td>
<td>0.475</td>
<td>0.540</td>
<td>0.998</td>
<td>0.642</td>
<td>2.712</td>
</tr>
<tr>
<td>Agree (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Confidence in politics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>0.021</td>
<td>0.868</td>
<td>1.022</td>
<td>0.892</td>
<td>0.893</td>
<td>2.440</td>
</tr>
<tr>
<td>Not sure</td>
<td>0.175</td>
<td>0.385</td>
<td>1.191</td>
<td>−0.058</td>
<td>0.557</td>
<td>0.944</td>
</tr>
<tr>
<td>Agree (ref.)</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
</tbody>
</table>

Notes: ***p ≤ 0.001; **p ≤ 0.01; *p ≤ 0.05; Adjusted by demographics (age, gender, educational attainment, marital status and household income).
donations made, we performed an ordinal logistic regression because total giving, the dependent variable, was coded in three categories (Table 22.3). The three categories of total giving are (1) no giving, (2) giving HK$1–500 and (3) giving more than HK$500. The last category (over HK$500) was used as a reference point to which the odds of giving over HK$500 was compared. The independent variables used in the ordinal logistic regression were the same as those we used in testing the decision to give. As respondents were not asked to report the amount of religious and secular giving separately, we were only able to analyze reasons affecting the levels of giving (total giving).

| Table 22.3  Ordinal logistic regression of donation amount (N = 1,009) |
|-----------------|-----------------|-----------------|
| **Total giving** | **B** | **S.E.** | **Odds ratio** |
| **Threshold** | | | |
| 0 | 0.654 | 0.818 | 1.923 |
| HK$1–HK$500 | 3.082 | 0.831 | 21.798*** |
| Above HK$500 (ref.) | – | – | – |
| **Age** | | | |
| 15–19 | −0.792 | 0.577 | 0.453 |
| 20–24 | −0.858 | 0.602 | 0.424 |
| 25–29 | −0.226 | 0.541 | 0.798 |
| 30–39 | −0.169 | 0.402 | 0.844 |
| 40–49 | 0.280 | 0.372 | 1.323 |
| 50–59 | 0.022 | 0.367 | 1.022 |
| 60–69 (ref.) | – | – | – |
| **Gender** | | | |
| Male | −0.273 | 0.190 | 0.761 |
| Female (ref.) | – | – | – |
| **Educational attainment** | | | |
| University | 1.264 | 0.615 | 3.539* |
| Post-secondary | 0.789 | 0.616 | 2.202 |
| Matriculation | 0.436 | 0.621 | 1.547 |
| Upper secondary | 0.519 | 0.543 | 1.681 |
| Lower secondary | 0.317 | 0.533 | 1.374 |
| Primary | 0.465 | 0.541 | 1.592 |
| No schooling (ref.) | – | – | – |
| **Marital status** | | | |
| Single | 0.089 | 0.300 | 1.094 |
| Widowed, Divorced/Separated | −0.053 | 0.439 | 0.948 |
| Cohabit/Married (ref.) | – | – | – |
| **Household income** | | | |
| Below HK$5,000 | −1.250 | 0.411 | 0.287** |
| HK$5,000–HK$9,999 | −0.650 | 0.349 | 0.522 |
| HK$10,000–HK$14,999 | −0.586 | 0.299 | 0.556* |
Results of the analysis showed that individuals who received college education are three and a half times more likely to give over HK$500, and individuals with a household income below HK$5,000 and between HK$10,000 and HK$14,999 are less likely to give over HK$500. Volunteers are two times and organizational participants three times more likely to give over HK$500 than non-volunteers and non-participants, respectively. The degrees of general trust, sense of belonging and confidence in the economy and political future do not affect the levels of giving.

Comparing the two sets of regression results on the decision to give and levels of giving, it appears that whether or not a person takes part in organizational activities is the most consistent predictor of giving. Individuals who are active in organizations are more willing to give and more generous with their donations. Perhaps taking part in organizational activities sensitizes people to social issues, thus calling them to help those in need. Although educational level, household income and volunteering experience did not predict willingness to give, they had a significant impact on the levels of donation. These results are not surprising as a number of large NGOs have high-profile donation drives.

### Table 22.3 (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td></td>
</tr>
<tr>
<td>HK$15,000–HK$19,999</td>
<td>−0.184</td>
<td>0.320</td>
<td>0.832</td>
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<tr>
<td>HK$20,000–HK$24,999</td>
<td>−0.500</td>
<td>0.329</td>
<td>0.607</td>
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<tr>
<td>HK$25,000–HK$29,999</td>
<td>0.177</td>
<td>0.381</td>
<td>1.193</td>
<td></td>
</tr>
<tr>
<td>HK$30,000 or above (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Formal volunteering</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>0.675</td>
<td>0.247</td>
<td>1.965***</td>
<td></td>
</tr>
<tr>
<td>No (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Participation in organizational activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1.091</td>
<td>0.198</td>
<td>2.978***</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>General trust</td>
<td>−0.049</td>
<td>0.045</td>
<td>0.952</td>
<td></td>
</tr>
<tr>
<td>Sense of belonging to HK</td>
<td>0.098</td>
<td>0.060</td>
<td>1.103</td>
<td></td>
</tr>
<tr>
<td><strong>Confidence in the economy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>−0.919</td>
<td>1.305</td>
<td>0.399</td>
<td></td>
</tr>
<tr>
<td>Not sure</td>
<td>−0.553</td>
<td>0.439</td>
<td>0.575</td>
<td></td>
</tr>
<tr>
<td>Agree (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Confidence in politics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>0.666</td>
<td>0.697</td>
<td>1.947</td>
<td></td>
</tr>
<tr>
<td>Not sure</td>
<td>0.136</td>
<td>0.349</td>
<td>1.145</td>
<td></td>
</tr>
<tr>
<td>Agree (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>

*Notes: *** p ≤ 0.001; ** p ≤ 0.01; * p ≤ 0.05; Adjusted by demographics (age, gender, educational attainment, marital status and household income).*
each year, emphasizing the idea that each donation counts. Therefore, it is common for individuals to give to charities regardless of their educational levels or incomes.

3. Conclusion

The Economist’s study of philanthropy concluded that Hong Kong has a ‘vibrant, established charity sector, numerous family foundations and a well-known history of philanthropy, much of it directed at improving conditions in China’ (Economist Intelligence Unit, 2011, p. 15). Many individuals hope to do good, especially when income disparity is widening, with the Gini coefficient of inequality reaching 0.537 in 2011 (Hong Kong SAR Government, 2012a). As such, some groups within the Hong Kong community wish to help people in need, both in Hong Kong and in mainland China.

Hong Kong people are willing to give. Apart from giving to local NGOs for the benefits of the local community, they came forward to help victims of natural disasters. To the victims of the Asian tsunami in 2004, they gave US$56.4 million (HK$440 million); the Sichuan earthquake in 2008, US$76.9 million (HK$600 million); and the Myanmar cyclone in 2008, US$3.97 million (HK$31 million). Because of the large sums of money involved, and the relative lack of a regulatory mechanism, NGOs have been called to increase their transparency and accountability. It was under these demands that the government issued the consultation paper on charities in 2011. However, suggestions made in the consultation paper – such as establishing a formal register of charities, a reporting and accounting system and a charity commission – have met resistance. At the end, the final recommendations were a much watered down version of the consultation paper. The objections stem from a mistrust of the government. Some NGOs suspect that the government will use the proposed charity commission to exert greater control on civil society. This suspicion is based on the lack of a full-blown democracy in Hong Kong and the fear of the sovereign power limiting its autonomy. In short, the current political environment breeds apprehension about an impending erosion of the liberal milieu that is essential to the development of NGOs (Civic Exchange, 2011).

Hong Kong has a vibrant philanthropic sector and a robust third sector. They operate in a semi-democracy. Hong Kong society is aware that the regulatory framework for charities is deficient and mechanisms need to be in place to better supervise charities. Unless the government can put the worries of NGOs to rest, it will encounter difficulty in increasing the supervision of charities.

Notes

1. In 2007–2008, 30.4 percent of households lived in public rental housing, and 16.4 percent in subsidized homeownership housing (Census and Statistics
Country: Hong Kong

1. In terms of the ratios of health expenditure of public and private sectors, public health expenditure amounted to 49.2 percent (Food and Health Bureau, 2010, Table 2.1).

2. Government expenditures on four main policy areas as a percentage of GDP in 2009–2010 are in education, 3.6 percent; in social welfare, 2.5 percent; in health, 2.4 percent; and in housing, 1.1 percent (Wong, 2012).

3. Hong Kong receives the common law. The understanding of charity is based on the judgment of Lord MacNaghten in the case of IT Special Commissioners v Pemsel (3 TC 53).

4. The Charities Sub-committee of the Law Reform Commission of Hong Kong (December 2013) proposed to expand the definition of charity to 14 categories. ‘The advancement of human rights, conflict resolution and reconciliation’ and ‘The promotion of equality and diversity’ are two of the newly proposed categories. See also Section 1.4 of this chapter.

5. The report was based on Gallup's World View World Poll. It is an ongoing project that collects data from representative samples of civilian, non-institutionalized individuals aged 15 and above. The 2012 Index was constructed using data collected in 2011 in 146 countries. Regarding the other two components of the Index, 13 percent reported to have volunteered their time, and 56 percent had helped strangers (p. 13). The corresponding figures for the five-year average are 14 and 56 percent (p. 15).

6. The Lotteries Fund generates its income from the Mark Six Lottery, investment and auctions of vehicle registration numbers. The incomes are used to fund social welfare services.

7. For the 2007–2008 financial year, out of the HK$34 billion actual expenditure of the Social Welfare Department, HK$6.9 billion (20 percent) was spent on recurrent subventions to NGOs. The Lotteries Fund’s support to NGOs was HK$0.8 billion (Social Welfare Department, 2009).

8. The charitable or trust of a public character status is granted by the Inland Revenue Department (2010).

9. The Consultation paper contains detail description of the current legal framework regulating charities in Hong Kong.

10. In contrast to the original suggestion of a Charities Commission that had oversight power, the newly proposed registration system is an administrative procedure that requires charities to be registered with a specified government department.

11. An example of a charitable organization established by statute is the Tung Wah Group of Hospitals, which is established by the Tung Wah Group of Hospitals Ordinance.

12. A trust or charitable organization that does not seek tax benefits has therefore no reason to apply for official charitable status from the IRD.

13. There is a discrepancy between the result of the survey and data provided by the government. According to the survey, 48.4 percent of the believers were Protestant, 38.4 percent were Buddhist, 10.1 percent were Catholic and 4.3 percent were Taoist. The figures add up to 101.2 percent because it is possible for people who believe in Buddhism to also believe in Taoism. It is difficult to judge which one is a better estimation of the religious situation in Hong Kong because the government did not provide its data source.

14. The founder of Mission Support Ltd left a public relations company to join Green Peace before setting up the consultancy. See http://www.mission-support.com.hk
15. The Hong Kong Fundraising Consultancy Ltd was established in July 2007 and specializes in soliciting monthly donations on the streets. Its clients include Heifer Hong Kong, Hope Worldwide, UNHCR, UNICEF and Plan. MVP Consultants was founded in 2010 to provide fund-raising services including on-the-street monthly donations. It serves WWF, Heifer, UNICEF, Plan and Treats. The Hong Kong Action Support Consultant Co Ltd was established in 2011 and provides fund-raising services to NGOs and charities. It also serves commercial firms.

16. Since we do not know the number of NGOs soliciting or intending to solicit on-the-street monthly donations, we are not able to estimate the percentage of NGOs agreeing to the pledge.


18. July 1 is a public holiday celebrating the reunification of Hong Kong with the PRC in July 1, 1997. Since 2003 when an estimated half-a-million took to the streets and successfully stopped the proposed national security bill from becoming a law, people continue to use July 1 as a day to express discontent.

19. The Occupy Central movement proposes to occupy the financial district of Hong Kong in July 2014 if the PRC government refuses to realize its promise to let Hong Kong people select the chief executive and the legislature by universal suffrage. It is a non-violent civil disobedience protest.

20. Scholarism was established by a group of high school students. They alerted the public to the bias in the national education curriculum and was chiefly responsible for forcing the government to rescind the proposed national education in 2012. Since then it, together with the National Education Parents Concern Group, has been active in overseeing the content of national education in schools.

21. Social Ventures Hong Kong was open in 2007 and is one of the first organizations that promote venture philanthropy in Hong Kong; it provides both financial and non-financial support to local social enterprises. Another organization that focuses on venture philanthropy, Sow Asia, was opened in 2008. It encourages social innovation and provides capital funds to selected social businesses. The Asia Community Ventures was launched in March 2013 and is a Hong Kong-based Not-for-Profit Organization that promotes impact investing. One of its founders, Philo Alto, also founded Asia Value Advisors, a firm that aims to help philanthropists to deliver lasting social values.

22. The research was carried out by the Centre for Civil Society and Governance, the University of Hong Kong and Policy 21 Ltd (2011). It was commissioned by the Home Affairs Bureau under the auspices of the Committee on the Promotion of Civic Education.

23. In the 2011–2012 financial year, 84 percent (HK$292.65 million) of the Tung Wah Group’s expenses on service programs came from donations and 14 percent came from internal resources (http://www.tungwah.org.hk/?content=566#DonationApplication) (accessed July 2, 2013).

24. Po Leung Kuk raised HK$16.8 million in 2012–2013 financial year, which accounted for 19.83 percent of its total income. An additional HK$8.2 million came from the Lotteries Fund and other funding bodies. The Hong Kong government was its main sponsor, for 63.39 percent of its total income came from government subvention (Po Leung Kok, 2012–2013).

25. 5 percent of the respondents refused to give an answer.
26. Volunteering and giving are closely related, and therefore was included in the analysis. Formal volunteering referred to working without paid in a formal organization and was coded in a binary format of yes and no.

27. This variable is a proxy of the respondents' involvement in society. Presumably, those who are more involved are more civically minded. The question asked if the respondent had taken part in activities of at least one category of civic organizations in the past year. These civic organizations included mutual aid committees, neighborhood organizations, labor unions, professional bodies, trade associations, religious organizations, parent–teacher associations, education-related bodies, cultural and recreational organizations, social service organizations and pressure groups. About 38 percent of the respondents admitted to have participated in activities organized by at least one type of civic organizations in the past 12 months.

28. The level of general trust was measured by asking respondents the degree to which they agreed that (1) 'In Hong Kong, we should not trust others easily' and (2) 'In general, Hong Kong people mind only their own business and don't bother with others problems.' About three in four respondents (74 percent) agreed or strongly agreed with the first question and 63 percent, the second question.

29. The variable was measured by asking the respondents to indicate on a scale from 1 to 10 their feeling of belonging to Hong Kong, with higher scores denoting higher belonging. The average score was 7.7.

30. If a person is confident about an economically and politically stable future, s/he may be more willing to give. Respondents were asked to indicate the extent to which they agreed with two statements: (1) I have confidence in Hong Kong's economy in the coming two years; and (2) I have confidence in Hong Kong's political situation in the coming two years. Three in four respondents (76 percent) agreed or strongly agreed with the first statement, and 62 percent agreed or strongly agreed with the second statement.

References


Giving in Indonesia: A Culture of Philanthropy Rooted in Islamic Tradition

Una Osili and Çağla Ökten

1. The philanthropic landscape

1.1 History

Indonesia is the fourth most populous country in the world, with a population estimated at 237 million in 2010 (Badan Pusat Statistik, 2010). Indonesia’s national motto, ‘Unity in Diversity,’ is a reference to its heterogeneous religious, cultural and ethnic traditions. The size and scope of the philanthropic sector reflects the country’s changing geographic and economic landscape.

Indonesia’s nonprofit sector builds on traditions of philanthropy and self-help (Lewis & Kanji, 2009). During the Suharto regime (1965–1998), Indonesia grew rapidly with gross domestic product (GDP) per capita increasing from US$100 in the early 1970s to around US$1,000 in 1995. Official government literature during this period emphasized gotong royong, or community participation, as a central part of a national development strategy (Bowen, 1986). Communities were expected to provide volunteer labor, building materials and money in order to achieve development objectives. The centralized system of community organizations provides an opportunity to study patterns of philanthropic contributions, as community organizations were comparable across regions.

Beard (2007) describes the two tiers of nonprofit organizations (NPOs) in Indonesia. The first tier is composed of community-based NPOs which are spatially and geographically defined and vary in their levels of formality and organization. Typically, local community organizations are unregistered, but play an important role in providing services to marginalized and rural communities in Indonesia. These organizations also provide local public goods. Households contribute their time, money and materials to irrigation associations (subuk), neighborhood security arrangements, rice cooperatives and neighborhood health posts (posyandu) – all of which are various types of...
community-level organizations. A notable example, *posyandu* relies on salaried government staff and volunteer workers to deliver key health services to the community (Frankenberg & Thomas, 2001).

The second tier of the philanthropic sector in Indonesia consists of two types of NPOs: foundations (*yayasan*) and associations (*perkumpulan*). Due to their legal status and regulation by the national government, foundations are the most common type of NPO in Indonesia. The NPOs in this second tier are registered organizations that often have paid staff and are not typically attached to a specific community. While the number of registered organizations has grown, an extensive network of community-based NPOs also operates within Indonesia (Ibrahim, 2006).

Building on its history of *gotong royong*, the nonprofit sector has grown over the past two decades in response to both international and domestic concerns. The Suharto government’s ‘New Order’ (1967–1998) emphasized the importance of working with NPOs on development priorities in education, health, the environment and other sectors in order to share the costs of such programs and activities (Antlöv, Ibrahim, & Tuijl, 2005). However, the state’s approach to working with NPOs was limited. Hoon (2010, p. 55) emphasizes that ‘the Suharto government did not regulate the aims and scope of work that a NPO or foundation could serve.’

Recent economic shocks including those associated with the 1997 Asian financial crisis, the 2005 Asian Tsunami and the global financial crisis of 2008 have created new opportunities for the nonprofit sector in the areas of employment, poverty alleviation, nutrition, health, education and basic needs.

1.2 Size and scope of the nonprofit sector in Indonesia

Data collection on the size and scope of Indonesia’s nonprofit sector is carried out by several government entities, yet this information is not widely available to researchers and policymakers in a fully searchable and comprehensive format. However, existing data sources indicate the majority of registered nonprofit organizations work in the social service sector. Registered nonprofit organizations tend to be geographically concentrated. Specifically, about 50 percent of registered NPOs are based in Java, the most populous province. Other NPOs exist at the village, district, provincial and national levels; however, the majority of these types of community organizations are not registered and do not have legal status.

Although community organizations continue to play a critical role in local public good provision, the formal philanthropic sector has grown in Indonesia. In 2010, there were approximately 21,000 NPOs registered and operating in Indonesia, with the majority of these being foundations (Ravi, 2012).

The Government of Indonesia regulates the nonprofit sector through 26 laws, government regulations and Ministerial Decrees (Indonesian Local Assessment
Country: Indonesia

Since the end of Dutch colonialism in 1945, the Indonesian legal system has been complex. Associations are governed by the 1870 Dutch law, while foundations are governed by Indonesian statutes enacted in August 2002 (Ravi, 2012). Beyond associations and foundations, several other forms of NPOs exist in the Indonesian philanthropic landscape, including cooperatives, political parties, educational entities, societal organizations and NPOs structured as for-profit entities (Ravi, 2012).

Today, domestic and international NPOs are involved in various social, religious, educational and humanitarian activities. Since the 1990s, a significant number of NPOs have taken on advocacy roles in the areas of human rights and environmental protection, moving beyond the limited framework of community development. These NPOs became known as ‘advocacy oriented activists,’ playing a leading role in Indonesia’s transition to a democracy. Following the collapse of the Suharto government in 1998, Law No. 16 of 2001 was ratified to promote transparency and accountability in NPO governance and to restore the function of NPOs as nonprofit institutions with social, religious and humanitarian objectives (Suryaningati, Ibrahim, & Malik 2003; Hoon, 2010). Prior to this legislation, provisions in Law No. 37 of 1999 on international relations created legal umbrellas for international NPOs’ activities in Indonesia.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

The number of Indonesian NPOs has increased from ‘thousands’ during the New Order era to ‘tens of thousands’ by the end of 2003, thus demonstrating the growth of civil society in Indonesia. New laws have not only enabled NPOs to become legal entities but also demand from them more rigor, transparency and accountability. This legal environment has expanded the scope of nonprofit organizations (Suryaningati et al., 2003). The OECD lists Indonesia’s public social expenditure as 2.9 percent of GDP in 2011 (OECD, 2013).

Although Indonesia is not included in Salamon and Anheier’s (1998) classification of the nonprofit sector, the statist model is the most relevant: the nonprofit sector has grown but still remains relatively limited, as is government spending on social services. A 2009 survey of 551 Indonesian NPOs revealed that 72.4 percent of surveyed NPOs reported cooperation with the government, with 51.7 percent doing so because of shared goals and 16.7 percent doing so because of securing certain privileges. Slightly less than two-thirds (63.5 percent) of surveyed NPOs expect ‘financial support and facilities’ from the government. Similarly, the largest proportion of surveyed NPOs reported expecting ‘funding/technical assistance for capacity building.’ Only 5.4 percent of surveyed NPOs reported that government policy toward their organizations
was ‘very supportive,’ while 41.6 percent described it as ‘supportive’ and 36.3 percent as ‘quite supportive’ (Kim, 2004).

1.3.2 Fiscal incentives

While donations and grants are not subject to income tax, NPOs normally are not tax exempted. Indonesians may only deduct donations from their taxes for religiously required gifts (Parisi, 2009, p. 34). Additional tax incentives are available on an ad hoc basis, for example in the case of natural disasters. In general, tax exemptions are available only for foundations working in the fields of religion, education, health and culture; these are applicable only to grants, donations, gifts, inheritance and government subsidies.

Indonesia has also established regulations for the management of zakat, which are currently administered by the Ministry of Religion. Zakat refers to the obligation of Muslims to give a specified amount of their wealth – with certain conditions and requirements – to beneficiaries called al-mustahiqqin (Alfitri, 2006). The concept of zakat reflects a commitment within Islamic teachings to those in need and serves as a vehicle of income redistribution. Zakat includes both zakatal-fitr, which is levied on all Muslims except those that are destitute, and zakatal-mal, which is levied only on Muslims whose wealth exceeds a threshold called nisab. However, the Indonesia state did not initially directly participate in the management of zakat funds. Instead, the management of the funds tended to be self-sustaining, as zakat collectors are among the zakat al-mal beneficiaries within Islam tradition.

Under current Indonesian law, both federal and semi-autonomous provincial zakat collection and management agencies have been established. However, the law and these agencies do not comprehensively regulate this form of giving. Three systems for zakat collection exist: (1) government-operated local or national collection agencies, (2) direct giving to nearby mosques or local charitable needs and (3) ‘institutionalized’ collection by more geographically expansive religious organizations (UBS, 2011, p. 79). Often, religious organizations like mosques and schools that collect these donations are also the intended recipients, provided that general welfare needs are also met. Compared to giving to nearby charities to meet local needs, giving to larger zakat collection agencies grants donors less transparency regarding how their contributions are being used for social, economic and environmental reforms.

1.4 Regulation of the nonprofit sector

Current Indonesian law has evolved toward promoting transparency and accountability within the nonprofit sector. In particular, Indonesia enacted a new foundation law in 2001, which seeks to regulate the administration of foundations and increase public accountability. Originally drafted by the
Indonesian government, this legislation responded to general public support for governance reform and ‘pressure from the International Monetary Fund’ (Suryaningati et al., 2003). The new laws require foundations to make their annual reports publicly available. Organizations whose annual income, from the government or any other sources, exceeds 500 million Indonesian Rupiah (about US$40,000) are required to publish their audited financial reports in the local media. In addition, foundations that receive public funds are required to provide public access to their annual reports from the past ten years.

Government regulation of the nonprofit sector in Indonesia has expanded over time. In the past, only a handful of explicit restrictions and regulations affected the work of NPOs. However, a study conducted by the Indonesian Center for Reporting and Analysis of Financial Transactions (2010) found that the government has promoted inter-agency coordination for NPO supervision, including imposing sanctions on those who breach current laws and regulations. However, this regulation has not been fully implemented. Moreover, many NPOs have not provided regular financial reports as obliged by public accountability statutes. The government has not strongly supervised this obligation of NPOs to file financial reports; as a result, determining the sources of funding for many Indonesian NPOs tends to be challenging (Indonesian Local Assessment Team, 2010).

However, the level of government oversight may soon change. Mirroring the 1985 ‘Law on Social Organizations,’ Indonesia passed the ‘Law on Mass Organizations’ in July 2013. This piece of legislation establishes a central registration process to ensure that every NPO operates under monotheism and prohibits ‘blasphemous activities’ (Human Rights Watch, 2013). The law also establishes new limits on international NPOs operating in Indonesia. The 2009 survey of 551 Indonesian NPOs reveals variability in NPO regulation. A quarter (75.3 percent) of surveyed Indonesian NPOs possesses a notary deed of establishment, while 59.0 percent reported they did comply with the 2001 foundation law. About one in five (19.8 percent) of surveyed NPOs reported that a public account performed a financial audit on their operations because their statutes require it, while 41.2 percent reported doing so because of regulations (Kim, 2004).

1.5 Culture
1.5.1 Religion
Indonesian philanthropy is greatly influenced by the prevailing elements of the Islamic culture and customs found within the nation. About 86 percent of the population is Muslim, while Protestants make up 6 percent, Roman Catholics about 2 percent, Hindus about 2 percent and other religions another 2 percent (UBS, 2011, p. 79). Slightly less than three-quarters (72 percent) of Indonesian
Muslims attend mosque at least once weekly; 50 percent attend more than once a week; and 22 percent attend ‘once a week for jumah prayer’ (The World’s Muslims Religion Politics & Society, The Pew Forum on Religion & Public Life, 2012, p. 46). According to Bertrand (2004), religious identity in Indonesia exerts a greater influence on social and economic outcomes than ethnicity.

Similarly, Fauzia (2008) emphasizes the dominant role that religion plays within the philanthropic landscape. Zakat (almmsgiving), sedekah (donations, giving) and waqf (religious endowment) are important aspects of philanthropy in Indonesia. Almost all (98 percent) of Muslim Indonesians give zakat annually (Lugo et al., 2012). From the time of the Islamic monarchs, through the period of Dutch colonialism until contemporary Indonesia, there have been different levels of Islamic philanthropy, either from previous rulers or from the Muslim civil society (Antlöv et al., 2005; Fauzia, 2008; Hoon, 2010). However, under the Suharto regime, policies evolved with regard to the role of the state in Islamic philanthropy.

The government encourages and controls a quasi-state institution for ZIS3 (zakat, infak1 – donations made without self-motivated interests – and sedekah) called Badan Amil Zakat (Zakat Collector Board) or Bazis. The total amount of funds collected by the Bazis has increased. In addition to the official Bazis, there are many community-based ZIS collectors known as Lazis (Lembaga Amil Zakat, or Zakat Collector Institutions).

Ethnic identity also influences Indonesian philanthropic contributions. Okten and Osili (2004) found that ethnic diversity has a negative and significant effect on contributions as well as the prevalence of community organizations in certain areas of Indonesia. Their article uses empirical findings from Indonesia to provide support for an exchange-based model of community transfers, where households give in a manner that reflects the benefits they receive from a specific community organization.

Despite the importance of Islamic philanthropy in Indonesia, controversy surrounds the state’s role in supporting Islamic philanthropic institutions and practices. Many NPOs and government leaders debate the institutionalization of Muslim civil society organizations under state regulations (Antlöv et al., 2005).

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Although there are more than 20,000 registered NPOs in Indonesia, very limited information exists on their fund-raising strategies and approaches to long-term sustainability. Most of these organizations are dependent on international funding. Few are supported by income from individual members or domestic sources, public or otherwise. A recent survey revealed that 65 percent of Indonesian civil society organizations’ revenues come from international
sources, and 35 percent come from domestic sources. The domestic revenues are mainly derived from earned income activities and interest on endowment funds. Only a small portion comes from individual giving.

As Muslim giving catalyzes the Indonesian nonprofit sector’s growth, the nonprofit sector itself has become more professional and organized in response. Historically, individuals worked on a volunteer basis to manage an area’s religious giving (amil). Increasingly, however, the role of zakat managers (amil) has become more formal, occupying full-time, salaried positions (Fauzia, 2008, p. 208).

Furthermore, some fund-raising approaches common in the United States and Europe have also been used successfully by NPOs in Indonesia, such as direct mail, media advertising, telephone solicitations, ticket sales for special events, workplace giving and NPO product sales, publications and services (Asia Pacific Philanthropy Consortium, 2002). Existing research focuses on the development of these modern practices to support Islamic philanthropy (UBS, 2011; Asia Pacific Philanthropy Consortium, 2002).

1.5.2.2 Major donors
There is limited information about the role of major donors in Indonesia. Since few academic studies have examined the role of major donors, much of the information about major donors is based on media reports. One such report was in Forbes in June of 2012, where Koppisch (2012) wrote on Ciputra, Gunawan Jusuf, Low Tuck Kwong and Tahir, all major Indonesian donors in 2012. Ciputra, who runs a property development group, founded a university for entrepreneurship in Surabaya in 2006 and recently began sending teachers to the Silicon Valley for technical training. Low Tuck Kwong, the 64-year-old founder of the coal mining company, Bayan Resources, gives to universities in Indonesia as well as donates to flood relief efforts throughout Southeast Asia. Tahir, the 60-year-old chairman of the Mayapada Group, recently announced plans to donate 10,000 laptops to needy Indonesian students performing at the top of their high school classes.

1.5.2.3 The role of financial advisory professionals
Although community organizations play a key role in philanthropic initiatives in Indonesia, limited information is known about the skill level of the staff working within these organizations and related ones. According to Antlov et al. (2005), Indonesian NPOs, particularly foundations, are often led by middle-class, university-educated directors; however, these leaders unfortunately have little knowledge of grassroots issues and community needs. The Asia Pacific Philanthropy Consortium’s (2002) Investing in Ourselves report notes that many Indonesian NPOs have recently attempted to advance fund-raising specifically by hiring professional staff. The report goes on to note that NPOs realize it is
important to have highly skilled staff at all levels of their organizational structures. Such professionals can not only enhance the work of the NPO but also help improve its reputation among current and potential donors.

1.6 Other relevant characteristics for Indonesia

Recent economic events have increased the visibility of philanthropic institutions in Indonesia. In response to the Asian Tsunami in 2004, private donors in the United States, the United Kingdom and many developed countries contributed to the relief and rebuilding efforts in Indonesia. Several foundations, including the Titian Foundation, were founded to support the rebuilding of villages destroyed by the tsunami and have since contributed to other disaster relief projects in other parts of Indonesia.

Following the 1997 Asian economic crisis, Indonesia did not recover as quickly as some of its Asian neighbors. In addition, corporate social responsibility initiatives have significantly increased in Indonesia, with several companies emphasizing their commitments to specific causes. Corporate social responsibility in Indonesia has also grown to include nonprofit partnerships, volunteerism and cause-marketing. Furthermore, private charitable contributions from local individuals have assumed increased relevance.

Moreover, the 2008 financial crisis has created new pressures for alternative fund-raising strategies. In fact, the economic crisis led to a shift in government attitudes toward local NPOs, including increased funding for local NPOs to provide services to the unemployed. International and domestic donors have also sought to increase the sector’s effectiveness by collaborating with various Indonesian-based civil society groups and NPOs (Antlöv et al., 2005).

2. Explaining philanthropy in Indonesia

2.1 Data and measures

To study patterns of giving in Indonesia, an ideal data set would include giving to religious and community organizations as well as giving to registered foundations and associations. However, there are few nationally representative data sources that provide a comprehensive picture of giving. In addition, registered Indonesian foundations and associations do not rely significantly on philanthropic contributions from individuals. Two studies, the first conducted by PIRAC (Public Interest Research and Advocacy) in 2001 and the second conducted by the Center for Language and Culture in the State Islamic University Jakarta Syarif Hidayatullah Jakarta in 2003–2004, reported that 98 percent of all Indonesians give charitably, ‘the highest rate by world standards,’ with religion strongly motivating these donors (Fauzia, 2008, p. 1).

Given the importance of community-based and religious organizations, the data that we analyze focuses mainly on giving to community causes and
religious organizations. We rely on a unique data source: the fourth wave of the Indonesia Family Life Survey (IFLS4, 2007, 2008). This survey of 12,692 households is representative of about 83 percent of Indonesia’s population (Strauss, Witoelar, Sikoki, & Wattie, 2009). Table 23.1 provides an overview of the household and community variables used in our analysis.

The IFLS4 data is particularly well-suited to the study of giving. To our knowledge, there are few data sources (from developed or developing countries) that provide detailed evidence on giving to religious and secular organizations, as well as measures of trust. However, although IFLS has a panel structure, the religion and trust modules were only introduced in IFLS4. The IFLS4 study is a collaborative effort of RAND, the Center for Population and Policy Studies (CPPS) of the University of Gadjah Mada and Survey METRE. The fieldwork took place between late November 2007 and the end of April 2008, with long-distance tracking extending through the end of May 2008. The household members were asked whether and how much they contributed to community organizations (both religious and secular) in the past four weeks.

In order to convert household donations and income from rupiah to US dollar in 2012, we use Bank of Indonesia (Central Bank of Indonesia) rupiah to dollar exchange rate averaged over this period to convert rupiah to dollars and then we convert the value of a US dollar in 2008 to the value of a US dollar in 2012 using Consumer Price Index annual averages of all items from US Bureau of Labor Statistics.

The community organizations that households can contribute to include community meetings, cooperatives, voluntary labor, programs to improve the village or town, youth group activity, libraries, saving and loan funds, health funds, neighborhood security organizations, water for drinking systems, systems for garbage disposal, women’s association activities and community health posts. The data set also includes contributions to religious organizations.

Table 23.1 Descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>Obs</th>
<th>Mean</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Panel A</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total giving</td>
<td>9,975</td>
<td>0.5</td>
<td>211.0</td>
<td>5,313.9</td>
</tr>
<tr>
<td>Religious giving</td>
<td>9,975</td>
<td>0.3</td>
<td>165.6</td>
<td>4,650.1</td>
</tr>
<tr>
<td>Secular giving</td>
<td>9,975</td>
<td>0.3</td>
<td>45.5</td>
<td>1,511.7</td>
</tr>
<tr>
<td><strong>Panel B</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total giving</td>
<td>9,962</td>
<td>0.5</td>
<td>44.3</td>
<td>277.0</td>
</tr>
<tr>
<td>Religious giving</td>
<td>9,962</td>
<td>0.3</td>
<td>18.1</td>
<td>118.6</td>
</tr>
<tr>
<td>Secular giving</td>
<td>9,962</td>
<td>0.3</td>
<td>26.2</td>
<td>229.8</td>
</tr>
</tbody>
</table>
In our analysis, we refer to giving to all non-religious organizations as giving to secular organizations.

2.2 Descriptive results

Table 23.1, Panel A illustrates the summary statistics of the key variables. About 50 percent of households contribute to a community program, 33 percent contribute to religious causes and 33 percent contribute to secular causes. The average donation amount was US$211 in 2012. The average amount donated to religious organizations was US$166, while the average amount donated to secular organizations was US$45. Thus, the average donation to religious organizations is significantly higher than the average donation to secular organizations in our total sample, which is also the sample used in our regressions.

However, we notice that there are a few observations that report very high amounts of giving, with the highest amount being US$293,800. In Panel B, we present descriptive statistics for observations excluding about 0.1 percent of the top donors who donate more than US$14,000 a year. This reduces our sample size from 9,975 to 9,962. In this sample, the average total donation amount is US$44. The average amount donated to religious organizations is US$18, whereas the average amount donated to secular organizations is US$26. Hence, it appears that top donors give disproportionately more to religious organizations than to secular organizations.

2.3 Explaining philanthropic giving in Indonesia

2.3.1 Incidence of giving

Table 23.2 presents the results of a logistic regression model. The key dependent variable is an indicator variable that captures whether or not people give to any of the community programs/causes, to religious programs/causes or secular programs/causes. The dependent variable in Table 23.2 is equal to one if a household member has given to any organizations or causes in the past four weeks and zero otherwise. The demographic variables are measured for the household head.

One key finding is that age influences giving behavior. Similar to findings from the United States and other developed countries, household heads that are older are more likely to give compared to their younger counterparts. In particular, household heads that are 35–65 years and above 65 years are more likely to give than household heads that are less than 35 years old. Similarly, household heads who are aged 35–65 years are twice as likely to give as household heads that are less than 35 years old. Education is positively associated with giving. Household heads who are college graduates have a higher probability of giving, compared to those with a primary school education or less. Household heads
Table 23.2  Logistic regression analysis of total, religious and secular giving in Indonesia in 2007

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>Robust</td>
<td>S.E.</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------</td>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.70</td>
<td>0.05</td>
<td>2.02</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.70</td>
<td>0.09</td>
<td>2.02</td>
</tr>
<tr>
<td>Junior high school graduate</td>
<td>0.23</td>
<td>0.06</td>
<td>1.26</td>
</tr>
<tr>
<td>Senior high school graduate</td>
<td>0.10</td>
<td>0.05</td>
<td>1.10</td>
</tr>
<tr>
<td>College graduate</td>
<td>0.18</td>
<td>0.08</td>
<td>1.20</td>
</tr>
<tr>
<td>Male</td>
<td>0.10</td>
<td>0.07</td>
<td>1.11</td>
</tr>
<tr>
<td>Married</td>
<td>0.74</td>
<td>0.07</td>
<td>2.10</td>
</tr>
<tr>
<td>Income</td>
<td>0.25</td>
<td>0.10</td>
<td>1.00</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.60</td>
<td>0.05</td>
<td>1.83</td>
</tr>
<tr>
<td>Christian</td>
<td>0.33</td>
<td>0.09</td>
<td>1.39</td>
</tr>
<tr>
<td>Hindu, Buddhist, other</td>
<td>0.11</td>
<td>0.10</td>
<td>1.12</td>
</tr>
<tr>
<td>Religiosity</td>
<td>0.15</td>
<td>0.04</td>
<td>1.16</td>
</tr>
<tr>
<td>Trust</td>
<td>0.09</td>
<td>0.08</td>
<td>1.09</td>
</tr>
<tr>
<td>constant</td>
<td>-2.16</td>
<td>0.13</td>
<td>0.12</td>
</tr>
<tr>
<td>Number of observations</td>
<td>9,975.00</td>
<td>9,975.00</td>
<td>9,975.00</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.07</td>
<td></td>
<td>0.07</td>
</tr>
</tbody>
</table>

Notes: Income in US$/10,000; Religiosity (1–4), 4 very religious, 1 not religious; trust is scaled between 0 and 1; Secular giving includes: Community meeting, cooperatives, voluntary labor, program to improve village youth group activity, village library, village saving and loan, health fund, neighborhood security org, water for drinking system, system for garbage disposal, women's association activities, community and health post.
that completed junior high school are 1.25 times more likely to contribute than those who are primary school graduates or less. Interestingly, the odds of giving for senior high school and college graduates are similar to those of junior high school graduates.

Male-headed households are not statistically different than female-headed households in terms of giving probability. However, household heads who are married are twice as likely to give as household heads who are single. While homeownership increases the probability of giving, income does not affect the odds of giving to a community organization. Homeowners are 1.82 times more likely to contribute than households who are not homeowners.

As in other studies, religion is an important determinant of giving. Households headed by a Christian are 1.38 times more likely to have given than households who are headed by a Muslim (the omitted category). Furthermore, giving probability increases with self-reported religiosity (measured as a 4-point scale). Trust does not appear to have a statistically significant effect on the probability of giving.

We also examine the factors that influence the likelihood of giving to religious causes and organizations. While the results on the effects of age, income, marital status, homeownership and religiosity are similar to those for total giving, results on the effects of education are strikingly different. Higher education does not increase the odds of religious giving. In fact, the odds of religious giving for senior high school graduates and college graduates are lower than the odds of giving for primary school graduates.

In contrast to the results on religious giving, higher education does increase the odds of secular giving. A junior secondary school graduate is 1.50 times more likely to give to a secular cause than a primary school graduate. Interestingly, male-headed households are also more likely to give to secular causes than female headed households.

In particular, religious affiliation is significantly associated with giving to secular causes. We note that religious minorities – mostly Christian and Hindu headed households – are less likely to give to secular causes compared to their Muslim counterparts. However, self-reported measures of religiosity do not appear to affect the likelihood to give to secular causes. While trust does not affect the incidence of total giving, it does have a positive and significant effect on the incidence of secular giving. Results on age, income, homeownership and marital status are similar to those obtained when we analyzed the incidence of total giving.

2.3.2 Amount donated

Table 23.3 displays the results from a Tobit regression analysis of the natural log of the total amount people gave to any of the community organizations and causes, to religious causes and purposes and to secular causes and purposes.
We first examine the results on total giving donations. The dependent variable is the natural logarithm of total donations to all causes in the survey year denominated in 2012 US dollars.

We find that age is positively associated with the total amount of contributions, holding other variables constant. Higher education also matters: compared to those with only a primary education or less, household heads that have completed junior secondary school are predicted to give 46 percent more, and household heads that completed college are predicted to give 58 percent more. Being male increases the amount of donations by about 25 percent, but this variable is significant only at 5 percent significance level.

Marital status, income, homeownership and religion are important determinants of total contributions. Being a homeowner increases the amount donated by about 116 percent, while being married increases the amount donated by 139 percent. Being a Christian increases the amount of contributions by about 83 percent over being a Muslim. Similarly, being a Hindu/Buddhist or other increases the amount donated by about 110 percent. Self-reported religiosity
increases the amount donated. Finally, household heads that have trusting attitudes toward others are predicted to give 29 percent more to organizations than heads who completely distrust others.

In examining the levels of religious giving, we find that the results are similar to those in total giving except for the factors of education and trust. Higher levels of education and trust do not increase the amount of religious donations. In contrast, higher levels of education and trust are important determinants of secular contributions. A junior high school graduate–headed household gives 86 percent more than a primary school (or less) graduate–headed household. Similarly, heads with college degrees give about 98 percent more than heads with a primary school education to secular causes. Household heads that completely trust others are predicted to give 56 percent more money to secular organizations than people who completely distrust others. Religious affiliation and religiosity do not appear to significantly affect the amount donated to secular causes.

3. Conclusion

Indonesia has a strong tradition of giving deeply rooted in Islamic culture. The data that we analyze focuses mainly on this type of giving to community causes and religious organizations. In our data, we observe that top donors give disproportionately to religious organizations. Age, being married and homeownership increases the likelihood of giving. While education increases the likelihood and amount of secular giving, it does not have a significant effect on religious giving.

Although Indonesia is a largely Muslim country with strong traditions of giving, we find in our results for total giving that religious minorities are more likely to give and give larger amounts than Muslims. While size and scope of NPOs in Indonesia are growing alongside a strong tradition of philanthropy, the nonprofit sector still faces constraints. Overall trust and confidence in existing NPOs – and their abilities to deliver on their missions – are low, acting as a barrier to the growth of philanthropy. Nevertheless, trust and confidence can be cultivated within specific ethnic and cultural contexts; thus, Indonesia’s rich ethnic and religious diversity present a unique strength and challenge in building a thriving philanthropic sector. Additionally, the sector faces the constraints of limited tax incentives for charitable donations as well as the need to increase transparency and accountability of donations.

Notes

1. A recent definition of infak (also written as infaq) comes from the Zakat Foundation of America at http://www.zakat.org/blog/infaq-its-benefits—the-nature-of-infaq/.
2. Our data has information on the amounts donated in the past four weeks. In order to have yearly estimates, we multiply reported amounts by 13 since there are 52 weeks in a year.

References


Giving in Japan: The Role of Philanthropy in Strengthening Civil Society

Naoko Okuyama and Naoto Yamauchi

1. The philanthropic landscape

1.1 History

Japanese philanthropy and civil society extends as back as the 7th century, in the form of public benefit corporations. Until the Edo era (around 1600), religion greatly contributed to the development of the Japanese philanthropy and civil society. In the Nara period of the 8th century, Buddhist monks carried out fund-raising activities called Kanjin – the collecting of individual donations called Hougä to support the maintenance and construction of public infrastructure such as bridges, roads and irrigation and riparian works (Imada, 2006).

Kanjin conducted by the expert monks with Kanjin-cho, the prospectus for collecting donation, was a popular way of fund-raising for (re-)construction of public infrastructure.

In medieval times, a new mode of practicing social and local mutual reciprocity came into fashion after the long period of self-help: Tanomoshiko. In this system, a group of people collectively saves and distributes a certain amount of cash to provide support for the needy.

From the Edo era onward, the government has suppressed civic and philanthropic activities of religious figures; nevertheless, civic activities in general continued (Imada, 2006).

During the Edo era in the 17th and 18th centuries, there were development of social welfare mainly in civic education, poverty relief, disaster relief and the neighborhood organizations emergence. The civil society organizations and the private-owned charitable activities boosted the standards of education greatly. For instance, some schools such as Gansuido and Kaitokudo were financed through donations and membership charges from Osaka city inhabitants. The alumni students of these private institutions were actively involved in university establishment later in their lives (Imada, 2006). During this era,
other neighborhood organizations were also developed. These include Za, Ren Yui and Kou which have been in existence to the present day especially in the Japanese rural areas (Fukuda, 2006; Imada, 2006).

The universal freedom of association and speech was guaranteed through the introduction of the Japanese Constitution in 1947. According to Tsujinaka (2009), the Japanese civil society history can be sub-divided into four post-war phases: 1945–1957, 1958–1975, 1976–1996 and 1997 onward. There was an immense increase in civilian groups and associations in the first phase, particularly employers’ associations, labor unions and corporations. By late 1950s, several of these associations had been amalgamated or curtailed in terms of their membership numbers. During the second phase, many economic and professional associations as well as various advocacy organizations were rapidly established. In the third phase, under the administrative reform, the government public expenditure was reduced. As a result of the conservative movement of the 1980s, it led to various social movements that promoted more cooperation with the government. Consequently, the approach of the central government toward the civil society began to change positively. By then, economic interests and professional associations were the center of attention for every civil society organization although the nonprofit-making sector had several activities to undertake as well as address several social concerns. The year 1997 to date characterizes the last phase of drastic increase in the number of Specified Nonprofit Activities Corporations (SNACs) after the NPO law enactment in 1998. Generally however, the civil society organization’s membership has greatly decreased.

In 1995, the Great Hanshin Awaji earthquake greatly impacted modern Japanese civil society. Grassroots organizations without any legal status acted to improve the situation (Honma, 1996), making it apparent that the country has outdated laws and systems for civic activities. As a result, the NPO law of 1998 was enacted to make it easier for small grassroots organizations to gain legal status. Since the introduction of the NPO law, SNACs have rapidly increased and reached nearly 49,580 by the end of October 2014 (Cabinet Office, 2014a).

Furthermore, the emergence of civil society organizations that were managed by the public resulted from the fast establishment of SNACs. Before the SNACs were established, all the civil society organizations needed to get an authority to operate and the government supervised their operations1. Today, the SNACs are authorized by national or prefectural agencies through straightforward applications. Besides, it is clarified by the Cabinet office of 2009 that the autonomy of SNACs be respected by the NPO law and that the organizations should be under the supervision of civilians through information disclosure (Cabinet Office, 2009). Therefore, there was minimum government intervention unlike in other civil society organizations (Center for Nonprofit Research and Information of Osaka School of International Public Policy, Osaka University, 2011).
During the decade or less, there has been a fundamental and remarkable legal shift in organization’s corporate status in the Japanese nonprofit sector. Three new acts on Public Interest Corporation called ‘KoekiHojinSeidoKaikakuKanren San Po’ were enacted in 2006 and enforced in 2008. Public Interest Corporations are legally the oldest nonprofit organizations in Japan, and this legal reform was epoch-making over the past 110 years since its old enactments under the Civil Code. These acts state several core rules and regulations including the separation of corporations based on their authorized status. Existing Public Interest Corporations under the Civil Code Article 34 become TokureiMinpoHojin automatically and on a temporary basis, and were given a period of applying the transition to the corporations under the new system. This period was expired in November 30, 2013, five years after the enactment of the new Public Interest Corporations system (December 1, 2008) (Cabinet Office, 2014b, 2014c).

1.2 Size and scope of the nonprofit sector in Japan

As of October 2014, about 49,000 SNACs were accredited by municipal government agencies in Japan (Cabinet Office, 2014a). Of which, about 540 are authorized SNACs which are accredited by the national or prefectural agencies as qualified for tax exemption. Authorized SNACs are given tax incentives whereas unauthorized SNACs are not (or less) given. A certain proportion of taxable income is derived from profit-making business income and can be deducted as deemed contributions (MinashiKifukin). Also, authorized SNACs are attractive particularly to individual donors because their charitable contribution to authorized SNACs is only considered as tax deductible.

SNACs are not the only organizations in the nonprofit sector; they are a newly established corporation type, defined as civic organizations that operate under citizen supervision. However, the sector also has organizations that have a different legal status and administrative and corporative forms (Table 24.1). Considering the size of the national population was 128,057,352 in 2010 (Statistics Bureau, Ministry of Internal Affairs and Communication, 2010), the total number of nonprofit organizations, including SNACs, is very small.

In Japan, the government takes high responsibility for the provision of most public goods and services. Nevertheless, while SNACs are newly emerging, nonprofit organizations other than SNACs have historically played an important role in public service provision. In terms of the nonprofit sector classification of Salamon and Anheier (1998), the relationship between the government and the municipalities in Japan can be classified by the statist model. Following this model, nonprofit organizations in Japan have kept a low profile in provision of public goods and services, and ‘government social welfare protection and nonprofit activity remain highly constrained’; as the authors describe, there ‘has been a relatively low level of government social welfare protection without a corresponding growth of independent nonprofit activity’ (Salamon & Anheier, 1998).
Table 24.1  Number of organizations included in the nonprofit sector

<table>
<thead>
<tr>
<th>Number of organization</th>
<th>As of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Interest Corporations under the Civil Code Article 34 (Tokurei Minpo Hojin)</td>
<td></td>
</tr>
<tr>
<td>Public Interest Incorporated Associations (Shadan Hojin)</td>
<td>7,004</td>
</tr>
<tr>
<td>Public Interest Incorporated Foundations (Zaidan Hojin)</td>
<td>5,873</td>
</tr>
<tr>
<td>General Corporation (Ippan Hojin) from Public Interest Corporations under the Civil Code Article 34 (Tokurei Minpo Hojin) to General Corporation (Ippan Hojin)</td>
<td>25,060</td>
</tr>
<tr>
<td>General Incorporated Associations (Ippan Shadan Hojin)</td>
<td>9,429</td>
</tr>
<tr>
<td>General Incorporated Foundations (Ippan Zaidan Hojin)</td>
<td>3,940</td>
</tr>
<tr>
<td>Public Interest Corporations under the New Public Interest Corporation laws (Koeki Hojin)</td>
<td></td>
</tr>
<tr>
<td>Public Interest Incorporated Associations (Koeki Shadan Hojin)</td>
<td>3,810</td>
</tr>
<tr>
<td>Public Interest Incorporated Foundations (Koeki Zaidan Hojin)</td>
<td>4,818</td>
</tr>
<tr>
<td>Social welfare corporations (Shakai Fukushi Hojin)</td>
<td>19,636</td>
</tr>
<tr>
<td>Religious corporations (Shukyo Hojin)</td>
<td>182,200</td>
</tr>
<tr>
<td>School corporations (Gakko Hojin)</td>
<td>8,140</td>
</tr>
<tr>
<td>Medical corporations (Iryo Hojin)</td>
<td>49,889</td>
</tr>
<tr>
<td>Relief and rehabilitation corporations (Kosei Hogo Hojin)</td>
<td>165</td>
</tr>
<tr>
<td>SNACs (Tokutei Hieiri Katsudo Hojin)</td>
<td>49,580</td>
</tr>
<tr>
<td>authorized SNACs (Nintei Tokutei Hieiri Katsudo Hojin)</td>
<td>547</td>
</tr>
<tr>
<td>Trade and industry organizations, Labor organizations/union</td>
<td>48,317</td>
</tr>
</tbody>
</table>


Note: Date of calculation of the number of each organization is different. Data is collected from the end of 2010 to the early 2013. Therefore, the total number of organizations is not calculated at a specific point in time. Several types of organizations, for example, labor unions and professional business associations, are not included in this table due to the data availability.

The Japanese government spent in total 18.7 percent of GDP on public social expenditures in 2007 (OECD, 2012). This is a little below the average for all OECD countries.

1.3 Government policy in the nonprofit sector

1.3.1 Government subsidies

The Global Civil Society Project by Salamon and Anheier shows that the nonprofit sector in Japan relies heavily on financial support from the
government: 45.2 percent of nonprofit revenue is derived from public sector income, whereas 2.6 percent comes from philanthropy and 52.1 percent from fees and charges (Yamauchi, Shimizu, Sokolowski, & Salamon, 1999).

While various sources confirm the government’s heavy presence in nonprofit sector revenue, this may be not necessarily the case. According to the financial database of Japanese nonprofit organizations (which only includes SNACs), government subsidies, funds and grants account for 11.3 percent of the total current revenue, followed by donations (8.9 percent), membership fees and admission charges (7.6 percent). The largest source is commercial revenue, which accounts for 66.5 percent (Yamauchi, Baba, & Ishida, 2008). A more recent survey presents similar figures in which government subsidies and funds accounts for 16.1 percent and commercial revenue accounts for 60.8 percent (Cabinet Office, 2012). However, the proportion of each source to total revenue differs from field to field.

However, some SNACs possibly receive revenue derived from outsourcing business sponsored by the government, which is not included in their government subsidies and funds but in their commercial revenue. According to the Cabinet Office, the proportion of the Long-term Care Insurance in SNACs’ total commercial revenue – used to promote health, medical treatment or welfare services – account for 56.7 percent, and the proportion of outsourced business sponsored by the government – used for other purposes – account for 47.8 percent (Cabinet Office, 2010).

In September 2009, the political regime change drastically shifted policy, including for the nonprofit sector and local communities. In 2010, ‘The New Public Common’ – an initiative by the Democratic Party of Japan (DPJ)-led Hatoyama government – clarified the role of nonprofit organizations in fostering community leadership, proposing guidelines for the support of new leadership development in public service provision. Under these guidelines, the Cabinet Office launched a plan to improve the fund-raising capacity of nonprofit organizations and accordingly raise levels of private support in all 47 prefectures, which had a budget of US$99.1 million in 2011–2012. Such a widespread, high-profile, national government-led initiative in fund-raising was the first of its kind in Japanese history.

1.3.2 Fiscal incentives

In Japan, income tax is based on a self-assessment system (an individual determines the tax amount by himself or herself by filing a tax return) in combination with a withholding tax system (taxes are subtracted from salaries and wages and submitted by the employer). With the withholding tax system, most employees in Japan do not need to file a tax return because tax is automatically paid through their employer. In fact, employed income earners only need to file a tax return if at least one of the following exceeds specified amounts: their
annual earned income, total amount of salary, other income paid by firms and not processed with year-end adjustment, or income other than employment income such as rents received, dividend income and annuities exceeds specified amounts for each. Unemployed income earners are also required to file a tax return when they have business income and rents received from sole proprietorships. Also, people are required to file a tax if they can obtain a refund on their taxes by doing so – which includes deductions for charitable contribution. Employees who do not need to file a tax return will have their national income taxes withheld from their salaries by their employer, and an eventual adjustment will be in their annual salary. Prefectural and municipal payments have to be paid separately by the employee upon notification by the municipality. People who are required to file a tax return, such as self-employed persons, must do so at the local tax office between the middle of February and the middle of March of the following year.

According to tax statistics, in the last ten years, the average amount for tax exemption per individual donor has been around US$2,000, and the amount has been relatively stable. Although the percentage of those eligible for donation deduction among all tax filers has been increasing over the decade, it is just about 2.3 percent on average. In addition, the amount of donation deduction accounts for under 0.1 percent of all incomes of donors (Figures 24.1 and 24.2).

In June 2011 tax reform, charitable contributions faced the introduction of income tax credit. This permitted tax filers to decide between tax credit and tax deduction for their donations. In addition, donors were given the privilege to deduct up to 50 percent of their total donation amount from their total

![Figure 24.1](image.png)
amount of tax payment. This tax reform was only meant for the donations to organizations eligible for tax exemption back in January 1, 2011. As a result, it meant that disaster relief donations for the Great East Japan Earthquake were counted as deductible (Japan Fundraising Association, 2012).

There have long been discussions about how the tax system should be improved to encourage giving. Specifically, debate surrounds tax breaks for individual charitable contributions, which are unfavorably treated in comparison to corporate giving, which is deductible from corporate income tax regardless of type of recipient organizations (fully deductible to specified recipients, and partly deductible to other organizations). Before the 2011 tax reform, the tax credit method was only permitted for residential taxes, and the income deduction method was also less likely to motivate giving among individuals with lower incomes due to the progressive taxation system for income taxes. In addition to contemporary tax reforms, requirements to become an authorized SNAC qualified for tax deductions have been relaxed. There are criteria for incorporated NPOs (unauthorized SNACs) to become authorized SNACs. Of those, passing the Japanese Support Test has been a difficult task for unauthorized NPOs. This has hampered the eligibility of incorporated NPOs as tax-exempt bodies as well as recipients of tax-deductible donations. Its provision was relaxed by the revision of this time. Also, local municipalities can now select qualified organizations applicable to residential tax credit by their own individual designated codes.

1.4 Regulation of the nonprofit sector

Over the last few years in Japan, there have been distinct regulatory reforms with regard to charitable donation and fund-raising. First, the tax reform in June 2011 introduced several revisions, including (1) the introduction of
income tax credit for charitable contributions (deductible up to 50 percent of donation amount) and choice between tax deduction and tax credit, (2) the introduction of the new Public Support Test (PST) which relaxes the requirements for authorized SNACs in order to be accredited as qualified for deduction, (3) the introduction of local municipalities’ own individual designated codes which makes it possible to choose qualified organizations applicable to residential tax credit and (4) the introduction of tax breaks for planned giving trusts offered by financial institutions.

Second, the amendment of the NPO law of 2012 has made notable changes, including: (1) the introduction of provisional authorization system which allows SNACs within five years of their establishment to be exempt from the PST, (2) expansion of deemed contributions (MinashiKifukin) up to the maximum inclusion of deductible expenses and (3) transfer of control regarding administration of accreditation and authorization from the national government or national tax agency to prefectural local municipalities or government-ordinance-designated cities.

1.5 Culture

1.5.1 Religious culture

Although Japan is a heterogeneous religious country, two religions are dominant: Shinto and Buddhism. According to the government statistics, the number of people belonging to Shinto is approximately 100.8 million, which accounts for 78.7 percent of the total national population, while those belonging to Buddhism total to 84.7 million (66.1 percent), to Christianity to 1.9 million (1.5 percent) and to other religions to 9.5 million (7.4 percent) (Ministry of Education, Culture, Sports, Science and Technology, 2013). The proportions of the number of people belonging to each religious denomination have not changed much over the years.

In Japan, people take part in ceremonies and seasonal festivities regardless of religious affiliation, and there is no particular rite of admission such as Christian baptism. According to the World Value Survey, 1.7 percent of the Japanese respondents visit a church, temple or Shinto shrine at least twice a week, excluding weddings and funerals, whereas 1.6 percent visit once a week, 6.5 percent once a month, 42.1 percent only on holy days, 22.3 percent once a year and 15 percent less often (World Value Survey, 2005). Also, a nationwide survey shows that about 60 percent have no faith in any religion, whereas over 10 percent have religious faith. The World Value Survey also shows that 62.1 percent of the Japanese respondents consider themselves to be not devout regardless of attendance at religious ceremonies, while 24.2 percent are devout and 13.7 percent are atheist (World Value Survey, 2005).

Donations to religious organizations do not include monetary expression of gratitude (ritualized, almost obligatory individual giving to monks) but include
parishioners giving to temples, giving to religious traditional ceremonies or festivities and any monies offered to temples. Regarding membership fees, religious membership fee payments comprises of ritualized involuntary giving such as parishioner payments to shrines or temples with an intention of subtraction from neighborhood community association fees. Moreover, for residents of local communities, some payments are involuntary and unavoidable such as the payments for neighborhood community association membership fees (Japan Fundraising Association, 2011).

1.5.2 Professionalism of fund-raising
1.5.2.1 Organization of fund-raising
The Japanese nonprofit organizations employ some characteristic solicitation methods, the most common being street donations and donation boxes. This is not in any way distinct from asking for donations through donation boxes or face-to-face solicitation as done by the, Japan Red Cross Society, Community chest and other local neighborhood associations. Majority of Japanese (50 percent) reported having used donation boxes when asked which methods they used to donate over the last years. Other methods that were highly employed include street donations, that is face-to-face fundraising, reward point donations through credit cards, click-to-donate sites, online shopping and postal transfers (Japan Fundraising Association, 2011).

Due to its simplicity, online donations such as reward points and click-to-donate sites have become more common. These kind of donations are particularly employed for emergency assistance, for example disaster relief and international cooperation. Another donation that has become very evident is the incorporate Social Networking Services (SNS). Over the years, crowd funding using SNS such as Facebook, Myspace, Mobage (former Mobage Town), MIXI, GREE and even Twitter has steadily been on the rise. This kind of online giving was observed during the donations for the disaster relief for the Great East Japan Earthquake (Japan Fundraising Association, 2012).

In Japan, Nihon Fandoreizing Kyokai (Japan Fundraising Association [JFRA]) was established in February 2009 as the nation’s first organization that encouraged fund-raising activities as well as developed the quality and skills of fund-raising. The organization is an unauthorized SNAC that has several programs, including annual events, Fundraising Japan (FRJ), where leading fund-raisers and experts including foreign practitioners come together and give seminars and workshops, commendation of fund-raising awards (‘Fundraising of the Year’), year-round seminars and workshops, publication of an annual almanac of giving and volunteering in Japan (‘Giving Japan’) and a quarterly journal (‘Fundraising Journals’), establishment of ethical standards such as The Donor Bill of Rights and Codes of Ethics for Fundraisers, program qualifying experts in fund-raising (‘Associate Certified/Certified Fundraisers Program’) and
learning program for children (‘Giving School’) (Japan Fundraising Association, website).

1.5.2.2 Major donors
Donations per individual in Japan are relatively small. However, we witnessed more major donors than ever before at the time of the Great East Japan Earthquake. Million-dollar donations were made by business leaders from the nation’s mega companies, celebrities and professional athletes. Furthermore, several unique contributions to disaster relief were made: a popular Japanese golfer donated the prize money received in championship tournaments throughout the year; a Japanese football star donated the million-dollar royalty on his own book; and an influential high-profile IT firm group representative continuously donated his compensation as long as he was an executive in the firm (Japan Fundraising Association, 2012).

1.5.2.3 The role of financial advisory professionals
Japan does not have a well-developed professional philanthropic advisory sector and organizations. Most nonprofit organizations and universities do not have their own trained and specialized staff for fund-raising, and thus face difficulty in putting fund-raising methods and professional knowledge and skills into practice to securing sustainable financial resources.

However, there have been several notable movements that may increase staffing levels and attention to fund-raising practices. For example, establishment of platform advisory organizations such as JFRA and its programs that give fund-raising experts an official certification are expected to expand and incentivize the development of fund-raising practices. Also, given that individual financial assets of people aged over 60 are expected to exceed US$11 trillion, and that 21 percent of the people aged over 40 are favorably inclined to donate their inheritance, bequest giving is expected to increase in the future. Such potential donors need professional advice on how, when and where (to whom), and how much to donate in order to make their donation beneficial. In addition, introduction of tax breaks for planned giving (bank trusts), introduction of the gift of life insurance trust and gradual intensification of fund-raising campaigns in universities and private school corporations may together motivate financial and research institutions to staff fund-raising experts.

1.6 Other relevant characteristics for Japan
1.6.1 Disaster relief giving
The disaster relief system in Japan is unique. There are two kinds of contributions for disaster relief in the country: relief giving for the people affected
(gienkin in Japanese) and giving for reconstruction activities (shienkin in Japanese).

The Central Community Chest of Japan and the Japanese Red Cross Society collected a cash relief donation (gienkin). These donations are first received by the gienkin recipient organizations, and are then forwarded to the prefectural government, and the government send it to the municipalities in the regions that have been hit by disasters. The respective municipalities then allocate gienkin to disaster-victims. On March 14, 2011, immediately after the earthquake, the Great East Japan Earthquake disaster relief fund was established. The fund that is raised through these donations is to be distributed in full to disaster victims based on the level of damages and are meant to assist them reconstruct their life after disaster.

When sending gienkin to disaster-hit regions, it is very crucial to decide on the distribution rate of the fund. The beneficiaries of gienkin are not specified at the national level to the gienkin recipient organizations such as the Central Community Chest of Japan and the Japanese Red Cross Society that received the donations. Gienkin recipient organizations send gienkin to the affected prefectures upon request of the prefectural gienkin allocation decision committees (GienkinHaibunWariaiKetteiInkai) which are organized by the Ministry of Health, Labor and Welfare and in charge of deciding the proportion of allocation. The amount of gienkin sent is determined by the fixed distribution rate multiplied by the number of disaster-affected individuals and households subject to receive the funds. The local municipalities then distribute the collected funds to the disaster victims. There is a high complication in trying to determine the extent of disaster damage. During this process, fairness is the most critical decisive factor when distributing these collected donations. In actual fact, gienkin is rather a consolation payment made to the disaster victims to support them and use as an immediate and transitional means of starting a living. All donations and contributions collected as gienkin must be directly allocated to the disaster victims.

In contrast to gienkin, cash donations made to nonprofit and voluntary organizations which take part in rescue and relief activities are called Shienkin. These cash donations are for the purpose of funding those activities as Shienkindo not directly benefit the disaster victims but rather supports the rescue and relief services. As a result of the Great East Japan earthquake, main intermediary organizations involved in such donation activities became the immediate recipients of gienkin and charitable giving to NPOs. NGOs and NPOs also received direct donations amounting to large sums of money. This money then became financial resources to support recovery (Japan Fundraising Association, 2012).

According to a survey, 61.6 percent of the survey respondents who made cash donations gave gienkin during the Great East Japan Earthquake, whereas about
9.4 percent gave shienkin (Japan Fundraising Association, 2012). This disparity between these two types of donations is seen in other disasters; gienkin is always collected on a much larger scale than shienkin in terms of both number of donors and amount of contribution.

2. Explaining philanthropy in Japan

2.1 Data and methods

Data employed in our analysis is the first wave of Japan Giving and Volunteering Study (JGVS). Starting in 2010, JGVS is an annual longitudinal study on giving and volunteering in Japan. The survey is conducted nationwide, using an Internet survey as the method of data collection. JGVS is intended to explicate the details of the types of giving that are less likely to be captured in existing statistics. It explores the breakdown of membership fee payments, which is a pool of money that functions as donated money in many organizations but less likely to be perceived as giving. Respondents of the first wave of JGVS were randomly drawn from a pool of 13,892 monitors registered for the Internet survey, and of those 5,322 completed the questionnaire. The number of eligible survey responses was 5,121, which were collected through a stratified random sampling by population size.

The survey asked the respondents of their individual donating behavior in 2009. It includes questions about the incidence of giving, amount of annual total monetary donation and amount of monetary donation by types of organizations and fields of activities. Regarding the sub-sectoral donations, JGVS measures donations made to 19 types of organizations and fields of activities: central, prefectural and municipal government, political donations, Community Chest, Japan Red Cross Society, neighborhood community association, local improvement and revitalization, emergency assistance for disaster relief, international cooperation, arts, culture and sports, education and research, employment promotion and support, health, medicine and welfare, youth development, conservation of natural environment, human rights protection, business and professional associations and labor unions, intermediary supports for philanthropic activities and other causes. These sub-sectors also allow us to divide giving into two kinds: religious giving and secular giving. Respondents were first questioned whether they made a monetary donation to aforementioned organizations and activities, respectively, during 2009. Subsequently, they were asked to fill out how much they donated to each one. The questionnaire did not allow respondents to neither skip those questions nor give answers such as ‘do not know’ or ‘do not want to answer.’ Therefore, all respondents answered whether they donated or not and how much they donated, which means that there is no proportion of missing donations.
2.2 Descriptive statistics

In 2009, Japanese individuals donated a total of US$6.2 billion, which is equivalent to 0.12 percent of nominal GDP (Japan Fundraising Association, 2010). According to the estimate, the total number of individuals who made at least one donation for the year 2009 was 37.7 million, which is equivalent to 34.0 percent of the country’s total population that is over 15 years of age (Japan Fundraising Association, 2010). In the breakdown of individuals making monetary donation throughout the year 2009, those who donated for the Community Chest account for the highest proportion (18.9 percent). Donor proportions for these fields follow: emergency assistance and disaster relief (9.0 percent), the Japan Red Cross Society (7.2 percent), international cooperation (6.2 percent) and neighborhood community associations (5.2 percent). In addition, among all individuals making monetary giving, those who donated to one specific field consist of 52.7 percent. Of those, 37.5 percent of this group makes donations for community chests, 14.5 percent for emergency assistance and disaster relief, 9.7 percent for international cooperation, 7.2 percent for Japan Red Cross Society and 6.6 percent for religious activities.

The average Japanese individual donated US$159.47 (Japan Fundraising Association, 2010). The largest average amount is donated to religious activities (US$569.0), followed by US$267.2 for intermediary support for philanthropic activities, US$250.5 for education/research, US$230.7 for central/prefectural/municipal governments and US$158.1 for business and professional associations and labor unions.

Given that the median donation amounts for these fields are much smaller than their respective average amounts, it is conceivable that donors tend to make larger amounts of donations to these fields, which eventually lead to the increase in average donation amount. In addition, although there are small numbers of donors for intermediary support for philanthropic activities and education and research, the average donation amount per individual is high in these two fields. On the other hand, although more people donated to the fields such as the Community Chest, Japan Red Cross Society, neighborhood community associations and emergency assistance and disaster relief, the average donation amount per individual is smaller.

Regarding religious donation, it does not include monetary expression of gratitude (ritualized and almost obligatory individual giving to monks), but includes voluntary monetary religious contributions to organizations, giving to temples from their parishioners, giving to religious traditional festivities or ceremonies and money offerings to temples. Also, donation to causes for education and research includes giving to parent–teacher associations, alumni associations and donations for school entry. These may be factors that increase the total amount of donation to education and research.
When it comes to looking at donors and donation amounts by secular and religious causes, 32.0 percent of the total donor made contribution for secular causes whereas 4.3 percent for religious causes. Regarding the donation amount, the average for secular giving is US$91.5 whereas for religious giving it is US$569.0. This thus implies that a small number of donors make a relatively large amount of donation.

2.3 Explaining philanthropic giving in Japan

2.3.1 Incidence of giving

Table 24.2 displays the results from a logistic regression analysis of whether or not people give to any charitable cause (total giving), to religious causes and to secular causes. Regarding the results for total giving, all but the variables of educational attainment have significant explanatory power on the incidence of giving. The existing statistics have shown that those who are older are more likely to give in Japan, regardless of their genders (Center for Nonprofit Research and Information of Osaka School of International Public Policy, Osaka University, 2005; JGSS Research Center, 2005; Mitsubishi UFJ Research and Consulting, 2007; Japan Fundraising Association, 2010). Moreover, the probability of giving tends to increase as age increases. In comparison to those aged under 35, people aged over 65 are predicted to donate 152.8 percent more money, and people aged between 35 and 65 are predicted to donate 46.3 percent more money.

Regarding gender difference, the variable representing sex is statistically significant, showing that men donate less than women. Men have 20.8 percent lower probability of making a donation compared to women. Existing statistics show that gender difference in giving behavior (incidence of giving) is particularly obvious among those who are aged from 40 to 60 (Center for Nonprofit Research and Information of Osaka School of International Public Policy, Osaka University, 2005; JGSS Research Center, 2005; Mitsubishi UFJ Research and Consulting, 2007; Japan Fundraising Association, 2010). Women are likely to donate more than men.

Marital status, home ownership and pre-tax household income also have significant explanatory power on the inclination to give. Married people have 26.3 percent higher probability of making a donation compared to those who are unmarried, divorced or widowed. Those who own their house are 21.3 percent more likely to give than those who do not. Regarding household income, we employ the pre-tax household income for the regression analysis since it is not possible to obtain household disposable income due to data availability. The data is categorical, and median values of each category are generated. The result shows that the probability to give increased by 3.5 percent with an increase of US$11.62 (JPY1,000). Finally, the level of generalized trust
Table 24.2  Results from a logistic regression analysis

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th></th>
<th>Religious giving</th>
<th></th>
<th></th>
<th>Secular giving</th>
<th></th>
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<td>Odds ratio</td>
<td>Coef.</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>Coef.</td>
<td>S.E.</td>
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<td>0.019</td>
<td>-1.666***</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.380***</td>
<td>0.096</td>
<td>1.463</td>
<td>0.419*</td>
<td>0.250</td>
<td>1.521</td>
<td>0.335***</td>
<td>0.099</td>
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<tr>
<td>Aged over 65</td>
<td>0.927***</td>
<td>0.136</td>
<td>2.528</td>
<td>1.177***</td>
<td>0.307</td>
<td>3.245</td>
<td>0.910***</td>
<td>0.138</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Secondary education</td>
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<td>1.325</td>
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<td>0.007</td>
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<td>0.015</td>
<td>1.050</td>
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<td>Generalized trust</td>
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<td>0.141</td>
<td>1.304</td>
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<td>5,072</td>
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<td>Wald Chi²</td>
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<td>39.750***</td>
<td></td>
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<td>176.460***</td>
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Notes: 1. Pre-tax household income in US$/10,000; 2. secular giving comprises of giving to organization and activities in the fields of central, prefectural and municipal government, political donations, Community Chest, Japan Red Cross Society, neighborhood community association, local improvement and revitalization, emergency assistance for disaster relief, international cooperation, arts, culture and sports, education and research, employment promotion and support, health, medicine and welfare, youth development, conservation of natural environment, human rights protection, business and professional associations and labor unions, intermediary supports for philanthropic activities, other causes (Japan Fundraising Association, 2010); 3. Due to constraints of data availability, variables representing religious affiliation and attendance are not included. As introduced in Section 1.5.1, the majority of Japanese belong to Shinto and Buddhism, whereas those who belong to other religions are very few; *** significant at 1 percent; ** significant at 5 percent; * significant at 10 percent; calculated by STATA 12 SE.
(trust in others) is positively and significantly related to the inclination to give. Those who trust others tend to give 34.3 percent more than those who do not.

The results for incidence of religious and secular giving resemble the result for total giving. However, the magnitudes of odds ratios of statistically significant variables indicate several interesting findings. The odds ratio for the variable representing those who are aged over 65 is much higher in religious giving (3.245) than the ones in total and secular giving, whereas the odds ratio for the variable representing those who own their house is considerably lower (0.692) compared to its odds ratios in total and secular giving. Furthermore, there is no difference between gender and marital status in religious giving.

Variables representing educational attainment do not have statistically significant power on the incidence of giving, regardless of total, religious or secular giving.

2.3.2 Amount donated

Table 24.3 displays the results from a Tobit regression analysis of the natural log of the total amount people gave to any charitable cause (total giving), to religious causes and to secular causes. Signs and significance of coefficients are the same as those in the result from the logistic regression analysis. The magnitudes of coefficients of variables which are statistically significant show that age is a strong predictor of the donation amount. This is more obvious in religious giving. However, it should be carefully interpreted, given the fact that only 4.2 percent (proportion of uncensored observation to the whole observation) donated to religious giving and the distribution of the donation amount is heavily right-skewed.

Regarding the results for total giving, donation amount is 37.1 percent lower in men than in women, and 42.5 percent higher for those who are married compared to those who are unmarried, divorced or widowed. Pre-tax household income has also explanatory power on the level of donation amount. People who earn one more unit of income category (US$11.62) on a yearly basis are predicted to donate 7.1 percent more money to philanthropic organizations. Home ownership is another determinant for donation amount. Being a home owner corresponds to 30 percent higher predicted giving. Finally, people who generally trust in others donate 56.4 percent more money than people who distrust.

Gender and marital status have explanatory power on the donation amount for secular causes, but do not for religious causes. Likewise in the decision of donation amount, educational attainment is not statistically significant, regardless of total, religious and secular giving.
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<tr>
<td>Log Likelihood</td>
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<td>-1,558.165</td>
<td></td>
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<td>-7,853.811</td>
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<td>Pseudo R²</td>
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<td>Wald Chi²</td>
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<td></td>
<td>41.700***</td>
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<td></td>
<td>211.140***</td>
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</table>

Notes: 1. Pre-tax household income in US$10,000; 2. Secular giving comprises of giving to organization and activities in the fields of central, prefectural and municipal government, political donations, Community Chest, Japan Red Cross Society, neighborhood community association, local improvement and revitalization, emergency assistance for disaster relief, international cooperation, arts, culture and sports, education and research, employment promotion and support, health, medicine and welfare, youth development, conservation of natural environment, human rights protection, business and professional associations and labor unions, intermediary supports for philanthropic activities, other causes (Japan Fundraising Association, 2010); 3. Due to constraints of data availability, variables representing religious affiliation and attendance are not included; *** significant at 1 percent; ** significant at 5 percent; * significant at 10 percent; calculated by STATA 12.
3. Conclusion

Japan has a unique culture and practice of giving, and civil society activities have long played a central role in philanthropy. Over the last two decades, the nation has experienced major natural disasters, resulting in institutional development in the nonprofit sector. Grassroots and civil society organizations were legally incorporated, and the taxation system and legal infrastructure affecting donors and recipients have been developed. Through these changes, nonprofit organizations have received greater attention and philanthropic support. Also, the fund-raising environment has increasingly been challenged to professionalize.

On the other hand, healthy and sustainable practices of philanthropy and nonprofit management are still developing in terms of institutional operation and structural maintenance. Donor solicitation and retention are hindered by the financial hardships and managerial inexperience of nonprofit organizations. Most organizations in the nonprofit sector face difficulties in fund-raising management due to the lack of human and financial resources for the activities. In this context, nonprofits are forced to operate with low revenues and rely on public sector funding. Moreover, the nonprofit sector has faced growing criticism for its attempts to secure surplus funds and internal reserves, despite the sector receives public sector support such as government subsidies and funding. Therefore, it has become increasingly harder for the sector to depend on government subsidies and funding.

Tax incentives still remain a challenge for Japanese philanthropy. Considering that donations per individual are relatively small in Japan, the introduction of carry-forward of deductible donations and tax returns for small amounts of donation via year-end tax adjustment should be possibly considered.

When it comes to the demographics of giving in Japan, typical Japanese donors are middle-aged and older, female, married, have above average household incomes, own their homes (except in religious giving) and have high levels of trust in others. Meanwhile, educational attainment does not seem to determine both the inclination to donate and amount donated. The same characteristics affect both the number of donors and the average amount of donation.

Interestingly, last but not least, these results also give us noteworthy points to be discussed. It can be considered, on the one hand, that giving as a form of civic engagement can represent individual capacities of demonstrating their awareness and perceptions about economic and social issues as well as addressing them. On the other hand, according to our empirical studies, those who are young, unmarried, male, renters, poor and those who distrust others tend not to give in Japan. Although these effects are net effects of course, these are the people that we are concerned about in Japan as facing social and economic hardship and thus feeling disaffected and alienated from society. In this
sense, giving or the lack thereof is a good measure of this sort of phenomenon, and further strategies for identifying potential donors, as well as approaching existing donors, are required to raise the level of Japanese philanthropy in the future.

Notes

1. The NPO law is as a special act of the article 34 of the Civil Code. Organizations which were engaged in nonprofit and public benefit activities were legally incorporated as public interest corporations by the article 34 of the Civil Code at the time of the NPO law enactment. It specified as ‘[A]ny association or foundation relating to any academic activities, art, charity, worship, religion, or other public interest which is not for profit maybe established as a juridical person with the permission of the competent government agency’.
2. However, grants from private foundations are also included in the proportion of government subsidies and corporate charitable contributions are also included in the proportion of donation. It is unable to exclude these sources from the calculation due to the condition of financial statements of the nonprofit organizations. According to another survey, although only SNACs with annual revenue over US$56,600 (JPY5 million) are sampled, it is said that 60 percent of the providers of subsidies and funds is the government and 30 percent of them is private foundations (Research Institute of Economy, Trade and Industry, 2005).
4. The Japanese data has been converted into US dollars and inflated to 2012 price levels. The exchange rate used is JPY1 = US$0.00969 (average exchange rate between December 1, 2004, and January 31, 2005) and the price adjustment to convert 2005 dollars to 2012 is 1.1606. Sources are www.oanda.com and www.bls.gov.com, respectively.
5. The national population is obtained from the national population census for the year 2010.
6. There are several sorts of donations made to central, prefectural and municipal government. For example, individuals select recipients they want to donate among government-operated projects or public service institutions and utilities. Those recipients are qualified by local municipalities designated codes, and donations are applicable to the residential tax credit. Also there is a donation system called FurusatoNozai (hometown tax) in Japan. Under the FurusatoNozai system, taxpayers in Japan are allowed to pay a portion of their national and local income tax and residential tax payments to a specific municipal government which offers to let donors select organizations as a hometown tax recipient. Among these selected organizations, several types of nonprofit organizations mentioned in Table 24.1 are included. In this manner, people make donation to government instead of paying tax to government, and they enjoy tax breaks by making donation. Also, the donations are used both for the public services produced and directly provided by the government and for the ones provided by the nonprofit sector by using the donation recipient selection system.
7. This average donation relates to the conditional donation, the average amount among all individuals who donated.
8. To be exact, probability to give increased by 3.5 percent with an increase of one level of category.
References


Giving in South Korea: A Nation of Givers for the Population under Public Assistance

Chulhee Kang, Erica Yoonkyung Auh and Younghye Hur

1. The philanthropic landscape

1.1 History

South Korea has a relatively short history in philanthropic development. Before the late 1980s, South Korea was a recipient of the foreign philanthropic supports from economically advanced countries such as the United States, Canada, Germany and others. Due to the economic hardship after the Korean War, there was little development in domestic charity and philanthropy until the mid-1980s. Instead of charity and philanthropy, mutual aid – such as mutual insurance – long served as a source of great relief for the predominantly poor Korean people. The tradition of mutual aid among South Koreans has remained very strong even after achieving the industrial advancement and economic growth in the late 1980s. Nevertheless, South Korea also opened a new door to philanthropy after the late 1980s, aided by three socio-economic and political events: a successful political transition from the authoritarian dictatorship to democracy; a successful economic transformation, called ‘Miracle on the Han River’; and the 1988 Seoul Olympic Games. Especially through the democratization process, the citizens became increasingly aware of diverse social issues such as welfare, human rights, environmental issues and others, providing a basis for their participation in resource mobilization projects of diverse nonprofit organizations (NPOs).

With the successful economic transformation of the poor nation since the late 1980s, philanthropic organizations from Western nations, such as World Vision, Christian Children’s Fund and others, decided to leave South Korea for the third world, transferring their infrastructure for poor relief to the newly established South Korean philanthropic organizations. Meanwhile, leading private corporations in South Korea, such as Samsung and Hyundai, started to
practice and promote corporate philanthropy for their communities. The South Korean government attempted to strengthen the nonprofit sector by mobilizing resources from the private sector, as it needed reliable partners to provide poor relief. Also, major broadcasting companies ran weekly fund-raising programs to aid the poor during prime time TV on weekends to motivate people’s participation in charity and philanthropy.

As a result, people’s participation in charity and philanthropy has become prevalent in the nation. However, the recipients for charity and philanthropy are still not as diverse as in advanced Western countries. In South Korea, the major targets for charity and philanthropy are the poor: poor children, poor older adults and poor disabled people who merit protection and care from the newly developing welfare state. Art museums, orchestras, hospitals, sport clubs, leisure organizations and civic movement organizations are not recipients of charity and philanthropy in South Korea. Moreover, economic elites’ participation in charity and philanthropy is relatively low because it is considered essential to build and maintain strong ties with political elites through behind-the-scene monetary transactions such as hidden political donations. As such, it is difficult to find exemplary philanthropic models in South Korea, such as that of Andrew Carnegie, John Rockefeller or Bill Gates. Furthermore, religious groups play a major role in South Korean charity and philanthropy, especially Protestants and Catholics; however, religious organizations’ contributions are relatively limited since their focus is on missionary works rather than general charity and philanthropic works.

Finally, the central government has particularly facilitated the development of philanthropy, institutionalizing new incentives and programs through laws and policies to motivate people’s participation in charity and philanthropy. Recently, the South Korean government has introduced new policies to support planned giving programs such as donor advised funds, charity annuities and ‘Foundational Law for People’s Sharing’ that is similar to the Charity Act in the United Kingdom. Although South Korea is increasingly becoming a welfare state, the central government strives for a balance between a welfare state and a welfare society by encouraging people to participate in new institutions for charity and philanthropy.

1.2 Size and scope of the nonprofit sector in South Korea

The South Korean nonprofit sector is characterized by a striking duality of two contrasting parts that together comprise NPOs in Korea. One part consists of service organizations active in the areas of education, health and social welfare services, which have been encouraged to supplement government-provided services. This part includes formally organized and mostly incorporated institutions with well-established ties with government agencies. Those legally termed ‘nonprofit-making corporations’ are incorporated associations
or foundations ‘relating to science, religion, charity, art, social intercourse, or otherwise relating to enterprises not engaged for profit or gain’ (Republic of Korea, 2013a: The Civil Act, Chapter 3, Article 32). Despite the above definition, they are allowed to engage in some profit-making activities as long as they are considered necessary to meet the objectives of the NPOs and the profits are not returned to the members but are used to achieve the objectives of the organizations. However, in the Enforcement Decree of Corporation Tax Act (Republic of Korea, 2013b: Chapter 1, Article 1), an exception is made for partnership corporations, such as the National Agricultural Cooperative Federation and National Federation of Fisheries Cooperatives, that are regarded as NPOs, yet also are allowed to distribute their profits to their members. The other, much newer part of the nonprofit sector consists of civic and advocacy organizations, mostly unincorporated and informally organized, ranging from human rights to environment and political democracy movements, that flourished only after the demise of the authoritarian regimes in the late 1980s.

Due to the lack of precise statistical data on the number of NPOs in Korea, an estimation is made with tax-reporting records. Based on the data from Statistical Yearbook of National Tax (Son, 2013), 29,170 incorporated NPOs existed in Korea in 2011, and the share of the religious organizations was the largest at 60.9 percent. Areas following religion are scholarship (11.1 percent), social welfare (10.4 percent) and others (7.3 percent).

Service-oriented NPOs in South Korea have played a major role in serving humanitarian needs in society, receiving strong support from the public sector to enhance their operations and help meet the demands of society. Despite the important roles NPOs have played, the nonprofit sector has yet to play a leading role: it is a junior ‘partner’ for the government and thus limited to providing a complementary role to the state.

According to Salamon and Sokolowski’s (2009) five models of civil society, which categorizes the sector by the size of its workforce, the share of volunteers, government support, philanthropic support, the fee share of revenue and service versus expressive share of nonprofit activities, Korea is considered as a borderline country close to the statist model. In the statist model, activities of the civil society sector are limited by the state, and the model is characterized by the limited overall size of the sector, small share of the volunteers in the sector workforce and low financial support from the government. Although Korea does not fit neatly into any of the other models (liberal, corporatist, social democratic and traditional), Salamon and Sokolowski considered Korea relatively closer to the statist model, explaining that most of the borderline countries are transitioning out from the typical statist model.

In fact, the nonprofit sector is a considerable economic force in South Korea, particularly given the country’s recent history and the level of development. The nonprofit sector in South Korea has spent US$23.1 billion on its 1997
operations. This figure is equivalent to 4.8 percent of the country’s gross domestic product (GDP). Behind these expenditures lies a workforce that includes over 700,000 full-time equivalent (FTE) staff (including religious worship organizations), both paid employees and volunteers. This workforce represents 3.2 percent of South Korea’s economically active population and 4.3 percent of its nonagricultural employment (Park, Jung, Sokolowski, & Salamon, 2004). The nonprofit sector in South Korea employs more than ten times as many workers as those hired in the public utilities industry, 60 percent as many as in the transportation industry and half as many as those hired in the government. Of the total NPO workforce in South Korea, about one-quarter consists of volunteers. Over one million people engage in some kind of volunteer work in South Korea, which represents approximately 3 percent of the country’s adult population. Religious organizations account for a sizable share of the South Korean nonprofit sector. Religious organizations employ nearly 20 percent of the sector’s paid staff and 35 percent of the volunteers. This fact reflects a traditionally tight connection between religion and communities in South Korea—a trend that is closely related to the spread of Western religious organizations in the country (Park et al., 2004).

About 82 percent of the nonprofit sector’s workforce, both paid and volunteer, is engaged in service provision. The dominant service provided among them is education, which employs 41 percent of the sector’s workforce, followed by health service (26 percent) and social services (15 percent). Community development activities in South Korea are carried out mainly by social service organizations as a part of their mission. Thus, the composition of the South Korean nonprofit sector differs from that found in other countries. Service provision predominates the civil society organization workforce as shown by both the all-country as well as the developing and transitional country average figures (64 percent and 63 percent of the civil society organization workforce, respectively), and that predominance is far more pronounced in South Korea (82 percent). Interestingly, the education service share of the South Korean NPO workforce is significantly greater than that of the all-country, and the developing and transitional country averages (41 percent versus 23 percent and 25 percent, respectively) (Park et al., 2004).

1.3 Government policy in the nonprofit sector

1.3.1 Government support

As shown in Salamon, Sokolowski and Associates (2004), the nonprofit sector in South Korea relies heavily on fees and charges for service. This dominance of fees and charges is reflected in the strong presence of fee-based private service organizations, especially within higher education and health care organizations. Service fees and dues account for 71 percent of all cash revenue
of South Korean NPOs. By contrast, the amount provided by private philanthropy and the public sector account for a much smaller share of the total revenue. Thus, private philanthropy from individuals, corporations and foundations combined accounts for only 4 percent of the civil society organization income in South Korea, while funding from the public sector, which includes grants, contracts and reimbursements for services, accounts for 24 percent (Park et al., 2004).

In South Korea, a support structure varies across fields within the nonprofit sector. Although fees account for a large share of the nonprofit sector’s income, this does not hold true across all fields, particularly in the social services field. The share of income from fees in non-social services fields varies from 61 percent in health to 100 percent in labor unions and professional associations. However, in the social services field, most revenue comes from government payments (68 percent), and it is the only field in which fees are not the primary source of income (Park et al., 2004). In South Korea, governmental support has been focused on the social services field, and dependence on public sector income is especially notable in social services. As a result, they function as major government partners in welfare service delivery for the people, particularly the elderly, the disabled and other underprivileged groups.

In its journey toward becoming a welfare state, the South Korean government has long faced the challenge of continuous economic development; thus, the modern South Korean government assumes selective responsibility for the nonprofit sector with greater support for the social service fields. The government has perceived the social service sector as an essential partner/vendor that complements the limited role of the government. The social service sector also shares in this view.

1.3.2 Fiscal incentives

The Korean income tax is progressive in its nature and is levied on corporate income and individual income. The basic Korean corporate income tax rates are as follows: 10 percent on the first US$180 thousands (KRW 200 million), 20 percent for the tax base between US$180 thousands (KRW 200 million) and US$18 million (KRW 20 billion) and 22 percent for the excess. A resident tax surcharge (local income tax) is also applied at the rate of 10 percent on corporate income tax liability. A resident in Korea is subject to individual income tax on all incomes both within and outside Korea. The individual income tax rate is as follows: 6 percent marginal tax rate for income less than US$10,800 (KRW 12 million); 15 percent for the taxable income between US$10,800 (KRW 12 million) and US$41,400 (KRW 46 million); 24 percent for income between US$41,400 (KRW 46 million) and US$79,200 (KRW 88 million); 35 percent for income between KRW US$79,200 (KRW 88 million) and US$270 thousands
(KRW 300 million); and 38 percent for income over US$270 thousands (KRW 300 million). In addition, there is a local resident tax surcharge at the rate of 10 percent of the income tax liability. Taking the resident surcharge into account, the top marginal tax rate is 41.8 percent of taxable income in excess of US$270 thousands (KRW 300 million) (Samil Accounting Firm, 2013).

South Korea has three different types of charitable gift deductions on income tax, based on the degree of contribution to public benefits with varying details in deductions for individual giving and corporate giving (Son, Lee, & Park, 2010). The first category of tax deduction is called ‘tax incentives for predetermined causes (statutory donation),’ which is applied only to gifts made to organizations that are presumed to have the highest degree of contribution to public benefits. The government provides a list of such public and nonprofit organizations eligible for this type of gift deduction on income tax, and individual donors can have their charitable gifts made to such organizations deducted from their taxable income with the maximum deduction of up to 100 percent of the taxable income. In the case of corporate giving, the maximum gift deduction is 50 percent of the revenue (Son et al., 2010).

The second category is called ‘tax incentives for specially treated causes.’ This type of tax deduction is applied only to special governmental tasks that need to be supplemented by contributions from corporations and individuals. The government decides which public funds and public organizations are eligible in this category. Both individuals and corporations can have their gifts deducted from taxable income up to 50 percent of their taxable income less any gifts (in the form of money and goods) declared in the first category, ‘tax incentives for predetermined causes (statutory donation).’ However, this category of tax deduction has been abolished and absorbed in the first category in pursuit of simplifying the tax deduction system in South Korea.

The third category is called ‘tax incentives for designated causes (specified donation)’ (Son, 2011). This type of deduction is applicable for gifts to most NPOs and causes that have a moderate degree of contribution to the public benefit. The government has included most NPOs in this category; gifts made to NPOs with a tax exemption status are applicable to this type of tax deduction. Individuals can have a tax deduction up to 20 percent of their taxable income less any gifts (in the form of money and goods) made to organizations mentioned in other categories. In the case of corporate giving, government provides a tax deduction up to 5 percent of revenue less any gifts to NPOs mentioned in other categories.

The categorizing of tax deductions based on the degree of contribution to the public benefit, as explained above, is a controversial issue. Unlike advanced Western countries, however, the South Korean government still believes that differential treatment in the tax deduction is necessary to handle accountability issues with corporate and individual gifts to NPOs.
There has been an interesting change in the share of individual giving in the total tax deduction amount. In 1999, the share of corporate tax deductions was much larger than individual tax deductions at 70 percent of the total tax deduction (about US$3 billion) (Son, 2011). However, since 2001, the share of individual tax deductions has increased and reached about 60 percent of the total tax deduction, outdoing the corporate share. Currently, tax deductions of charitable gifts claimed by individuals are approximately US$6 billion, while that claimed by corporations are about US$4 billion (Son et al., 2010). In 2011, about 4.4 million taxpayers received tax deduction for charitable gifts, and the total deduction amount was about US$4.7 billion (KRW 5.2 trillion), resulting in the average tax deduction amount of about US$1,054 per taxpayer (National Tax Service of South Korea, 2012).

1.4 Regulation of the nonprofit sector

In South Korea, different ministries and local autonomous administrative entities such as cities or local districts are responsible for the regulation of the nonprofit sector. Previously, most NPOs were under the regulation of central governmental ministries. As a result, NPOs in various fields such as education, culture, environment, health, social services and others were overseen by different governmental ministries based on their specialties. In the case of fund-raising across different fields, however, the Ministry of Public Administration and Security was responsible for regulating NPOs. Consequently, the South Korean Tax Authority, unlike other countries, does not have any direct regulatory power over the nonprofit sector. The regulation system used to have two arms. The first arm consisted of different ministries that had relevancy in activities, issued registration permissions for NPOs and provided financial support for NPOs, if necessary. The second arm, administered by the Ministry of Public Administration and Security, regulated fund-raising activities. It used to be illegal to raise funds from the public without obtaining a yearly permission from the Ministry for all NPOs, regardless of their fields.

However, with the decentralization of power from the central government to local governments, city or local municipal authorities have predominantly been responsible for regulating most NPOs by issuing registration permissions and providing financial support. For fund-raising, two different public authorities have been in charge of overseeing NPOs. If the intended amount of fund to be raised is over US$1 million, NPOs report and register their fund-raising activities with the Ministry of Public Administration and Security. If, however, the planned amount for fund-raising is less than US$1 million, the city or local municipal authorities oversee NPOs in that they report and register their fund-raising activities, according to the Act on Collection and Use of Donations 2013 (Republic of Korea, 2013c: Article 14). In the latter case, most South Korean NPOs attempt to avoid government regulations by applying various
tactics, such as calling their fund-raising efforts ‘sponsor recruitment,’ rather than fund-raising.

1.5 Culture
1.5.1 Religion

Traditionally, efforts to advance common interests took the form of kinship-based self-help activities. Giving and volunteering for NPOs were not common. Formal associational groups are a relatively new development, stimulated, in large part, by Western influences and the pro-democracy movement followed by World War II. Before then, the Confucian tradition was firmly established in Korea during the Yi Dynasty, which ruled the country for six centuries from 1392–1910. This tradition created a centralized bureaucratic state that dominated all aspects of social life. At the end of the 19th century, however, Western missionaries – both Protestant and Catholic – established private schools, hospitals and social welfare associations that became the forerunners of the nonprofit service sector in Korea. Some of these institutions, such as Severance Memorial Hospital, Paik In-Jae Surgical Hospital and the medical college at the Catholic University of Korea, later assumed a central role in the delivery of health care and educational services. The Western religious influences spurred the growth of philanthropic organizations in Korea from the 19th to 20th century.

Despite such strong influences of the missionary work, almost half of the South Korean people (46.5 percent) do not have any religious affiliations. However, Christianity (29.3 percent) is the leading religion in South Korea due to the influence of active Christian missionary works in the process of modernization; 22.8 percent of the South Korean citizens are Buddhist, 18.3 percent Protestant and 10.9 percent Catholic. Based on the question asked in the Social Survey of how people spend their weekends, we can get a rough idea on the proportion of people who attend religious services on a regular basis (there is no study reporting data on the proportion of those with religious affiliation who attend religious services at least once a week). According to the survey data, allowing for multiple responses, 14.0 percent of the respondents engaged in religious activities on the weekends (Statistics Korea, 2011).

With highly notable characteristics in philanthropic work and civic movement, Protestant and Catholic churches are one of the most significant actors in philanthropic work in South Korea. Members of these religious groups are also known to be very generous philanthropic donors in South Korea; their engagement in philanthropic work is the highest among South Korean people compared to members of other religious groups (Statistics Korea, 2005, 2006).

In summary, about 50 percent of South Koreans do not have religious affiliations as described above. However, those with religious affiliations are very active in both religious giving and secular giving. Particularly, Christians
(Protestants and Catholics) in South Korea have high religiosity, and they are generous in religious giving and leaders in secular giving for the nonprofit sector. South Korea is a religiously heterogeneous country with no State Church, National Church or State Church Tax.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

In South Korea, there has been no associational activity of fund-raising organizations in the nonprofit sector due to strict government regulations on NPOs’ fund-raising efforts, and professional fund-raising staff are not recognized in NPOs or in South Korean society. In addition to imposing regulations on fund-raising, the government used to have restrictions on costs involved with fund-raising and overhead costs of up to 2 percent of the total funds raised. Recently, however, the cost limit has been relaxed somewhat to 10 percent with the revision of the law for fund-raising activities. Moreover, having valuable causes — such as upholding social values or serving pressing social needs like poverty — is a requirement for philanthropic commitment. As a result, staff and volunteers in the South Korean nonprofit sector are required to have a high dedication to the valuable causes with a low level of compensation. These two factors (restrictions on costs and the requirement for philanthropic commitment) have delayed professionalization of fund-raisers in South Korea.

Typical solicitation methods of fund-raising in South Korean NPOs are letters in mail, door-to-door solicitation and persuasion through existing donors. In many cases, the staff in charge of raising funds in South Korean NPOs approach prospective donors and ask for about US$10 to 30 per month to aid poor neighbors such as poor children, the poor elderly and the poor disabled in both South Korea and third-world nations. Since structured planned-giving programs, except for charitable bequests, are less developed and not yet prevalent in South Korea, and also since they require a high level of expertise, the staff in charge of fund-raising in NPOs usually rely on the abovementioned typical solicitation methods.

Recently, participation in charitable giving and donor loyalty to charitable organizations has been continuously promoted in South Korea, and the demand for professionals in fund-raising is very high in NPOs. With these trends, there has been a significant expansion in fund-raising education programs for staff in NPOs.

Lottery sales contribute to the funds used for social welfare programs. The ‘Lottery Fund’ is formed with the revenue from lottery sales after prize payouts, expenses for operation and administration of issuing and managing lottery products. The Fund totals about US$900 million (KRW 1 trillion) per year, and 65 percent of the lottery proceeds (with funding from other revenue sources)
are used for low-income families’ housing, veterans, cultural heritage and arts promotion and other public work (The Korea Lottery Commission, 2013).

1.5.2.2 Major donors

Unlike advanced Western nations, South Korea has paid limited attention to the role of major donors in philanthropy, since very few are active in such work. Those with a strong philanthropic interest usually prefer to establish a private foundation or start their own NPOs. Traditionally, South Koreans have a strong sense of responsibility for transferring their wealth to family members of the next generation, thereby hindering the development of major donors. Recently, the Korean United Way (The Community Chest of South Korea) has successfully started a program called an ‘Honor Society’ for major donors since December 2007, similar to the ‘Tocqueville Society’ in the US United Way, who donate more than US$100,000. The major donors in Korea, the members of the Honor Society, pay attention to social problems and give support in providing solutions. The Korean United Way strives to address social problems caused by the growing polarization of the Korean society and to create a noblesse oblige culture, which is a modern upgrade from the longstanding Korean tradition of sharing. However, it is the only successful program satisfying the diverse needs of major donors. Thus, in most South Korean NPOs, there is still a very limited number of major donors.

Such background speaks to the lack of official statistical data on major donors in Korea. Exploring the Honor Society more closely, however, can give us a little idea about major donors in Korea. The Honor Society started with six members in 2008 but experienced a great increase in the new membership with 210 new members in 2013. The cumulative number of members as of June 30, 2014, was 523 (including 78 anonymous members), and the cumulative pledged gifts totaled to US$59.5 million. About 57.5 percent of the members were businessmen/women; 10.5 percent medical personnel, such as medical doctors, oriental medicine doctors, pharmacists and hospital directors; and 13.7 percent retirees or donors with no identified jobs (The Community Chest of Korea, 2014) (Table 25.1).

Although there is very limited quantitative data on major donors (e.g., the size of donation made by major donors) and scarce quantitative study as a result, a qualitative study by Kang and Kim (2007) examined the motives of relatively wealthy people’s (assets over US$10 million) major giving over US$10 thousand continuously for five or more years. According to their study findings based on qualitative interviews, the primary motive for major giving was to return to society what they have received and gained. Such a motive seemed to have been influenced by their past memories of the severe economic hardship, the memories of observing their parents’ good deeds as a child or an exposure to a mature giving culture in other countries. Other influential factors for having
Table 25.1 The honor society membership: A representative major giving program

<table>
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<th>Year</th>
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<th>Cumulative members</th>
<th>Annual amount of donation (US$)</th>
<th>Cumulative amount of donation (US$)</th>
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<td>11</td>
<td>17</td>
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<td>31</td>
<td>48</td>
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<td>210</td>
<td>438</td>
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</tr>
<tr>
<td>2014</td>
<td>85</td>
<td>523</td>
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</tbody>
</table>

Notes: The exchange rate at KRW 1,000 = US$1 (the average exchange rate between June 1, 2014 and July 1, 2014).  
Source: The Community Chest of Korea (www.chest.or.kr).

such a motive included considering giving as a social responsibility of the have and feeling sympathy towards the needy.

1.5.2.3 The role of financial advisory professionals

The professional philanthropic advisory sector is not well established in South Korea compared to other countries, such as in the United States and the United Kingdom. Financial institutions such as Samsung Investment Company have only very recently employed philanthropic advisory staff. Financial advisory professionals, such as wealth managers in banks and investment companies, have begun to show a high interest in including philanthropic work in their clients’ investment portfolio, particularly for their clients to reap the tax deduction benefits and to experience the joy of giving. Financial advisory professionals are trying to build a network with major NPOs as they do not have much understanding on pressing social issues that need immediate aid. To solicit potential major donors, major NPOs are also trying to build new networks with financial advisory professionals, including staff in investment companies, tax specialists and tax lawyers.

1.6 Other relevant characteristics for South Korea

1.6.1 National campaigns

South Korea has a government supported fund-raising culture with national fund-raising campaigns, especially in response to domestic and international disasters and tragedies. Also, the South Korean United Way (The Community Chest of Korea), as protected by a special law, holds an annual national campaign called ‘Giving for Poor Neighbors’ every December to mobilize funds from corporations and individuals. With the special national campaign, the organization raises more than US$0.4 billion by collaborating with major broadcasting and newspaper companies (The Community Chest of Korea,
Additionally, the government provides a special treatment for Korean Red Cross by allowing this major NPO to hold another kind of big national campaign: the Korean Red Cross sends out a mailed request for giving to every South Korean household with the support from the Ministry of Public Administration and Security. Whenever social tragedies or natural disasters happen domestically or internationally, the government indirectly organizes national campaigns with major nonprofit, broadcasting and newspaper organizations. Such national campaign efforts have been evaluated to have contributed to broadening and promoting people’s participation in diverse types of giving in South Korea (Kang, 2012).

1.6.2 Role of media

Over the past 20 years, South Koreans have become much more educated about philanthropy through the efforts of media, such as broadcasting and newspaper organizations; consequently, they have become more engaged in diverse NPOs by giving and volunteering. In South Korea, these media organizations have actively released regular programs or special programs to motivate people’s participation in social causes (Kang, 2012). Although the media’s heavy focus on poverty-related topics may be seen as a culprit for most South Koreans’ philanthropic participation predominantly in alleviating poverty, it nevertheless deserves to be touted as a major actor with a significant contributions in broadening and promoting people’s participation in philanthropic work.

2. Explaining philanthropy in South Korea

2.1 Data and methods

Several datasets have information on people’s giving and volunteering in South Korea: Social Research collected by the National Statistical Bureau, Household Finance Panel by Korea Institute of Public Finance and Giving Korea by the Beautiful Foundation. In this study, data from Giving Korea in 2006 are used as the dataset covers diverse aspects of giving and volunteering and has the longest data collection history on giving and volunteering in South Korea since 2001. Giving Korea is a biennial cross-sectional study on charitable giving and volunteering in South Korea. Every two years, respondents are randomly drawn from residents in South Korea using multiple cluster sampling by a professional research organization. Individuals selected by the multiple clusters sampling method are contacted by professional interviewers. In the sample selection process by the professional research organization, special attention is given to ensure the representativeness of the sample by stratifying based on age, gender, education, economic and geographical characteristics and others. More than 1,000 respondents complete the questionnaire by computer assisted
face-to-face interview procedures (CASI) biennially. In 2006, 1,005 respondents aged 19 years or older participated in the interview from July 10, 2006, to August 11, 2006.

The subject areas covered by Giving Korea are: giving, volunteering, planned giving, socialization in giving and volunteering, trust on social institutions and others. The dataset also includes the following demographic variables: gender, age, education, occupation, personal and family income, regional information related to residence, household size, marital status, religion and several other characteristics.

In monetary giving, the study covers the amount of money and goods each respondent donated for 12 target causes in the previous year. It covers the amount of religious giving and mutual aid giving for relatives, friends and colleagues in fortunate and misfortunate events. In giving for secular causes, it measures donations made to 12 secular charitable causes: poor neighbors through religious affiliations and through secular affiliations; international aid; educational institutions; health causes; cultural enrichment; public/governmental benefits; informal causes; the homeless; political campaigns and organizations; civic movement; and other causes. The questions on donations are asked in two steps: first, respondents were asked whether they made a donation in the previous year to each of 12 causes; then, the respondents were asked to state the exact amount of money and goods given to each cause in the previous year. The amounts measured in South Korean won have been converted into US$ and inflated to 2012 price levels.6

Using the above data, models for the incidence of giving, the amount of giving and philanthropic effort are estimated in the space below. Philanthropic effort means the percentage of total income given to philanthropy (Jencks, 1987). According to Jencks (1987), the relationship between income and philanthropic effort is U-shaped, meaning that the rich and the poor make greater efforts in giving than those in the middle. By exploring both the amount of giving and the philanthropic effort in the following analyses, a more comprehensive picture of Korean people’s giving can be obtained.

2.2 Descriptive results

According to the estimation of total amount of giving by individuals in South Korea (Kang & Min, 2011), South Koreans donated US$6.2 billion in total for secular causes, which is equivalent to 0.6 percent of the 2010 GDP. For the religious cause, Koreans donated a total of US$11.3 billion in the same year, which accounts for 1.1 percent of the 2010 GDP.

In 2006, 71.2 percent of survey participants donated at least once to secular causes. The average amount of individual donation to secular causes, which is the average across both donors and non-donors, was US$71, and the average for
Table 25.2  Participation among individual donors to different secular causes in South Korea (N = 716; Giving Korea, 2006)

<table>
<thead>
<tr>
<th>Donors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor neighbors through secular affiliations 86.1</td>
</tr>
<tr>
<td>The homeless 25.3</td>
</tr>
<tr>
<td>Informal causes 16.2</td>
</tr>
<tr>
<td>Poor neighbors through religious affiliations 14.5</td>
</tr>
<tr>
<td>Public benefits 2.9</td>
</tr>
<tr>
<td>Education 1.5</td>
</tr>
<tr>
<td>Political causes 1.4</td>
</tr>
<tr>
<td>Civic movement 1.4</td>
</tr>
<tr>
<td>Health 0.6</td>
</tr>
<tr>
<td>Culture 0.3</td>
</tr>
<tr>
<td>Other causes 0.1</td>
</tr>
<tr>
<td>International relief 0.0</td>
</tr>
</tbody>
</table>

donors only was US$100. Table 25.2 displays the percentage of participation by individual donors to different types of secular causes in 2006.

The greatest proportion of donors in the survey giving to secular causes donated to help poor neighbors (86.1 percent). Major secular causes were generally organized by the Korean United Way, Korean chapters of World Vision, Children’s Fund, UNICEF, Good Neighbors, Food for Hungry International, Compassion, Save the Children and other social service organizations. These causes were also often organized by religious affiliations such as Protestant and Catholic churches.

About 29.7 percent of the individuals in the survey participated in religious giving; more than 55 percent of the individuals with religious affiliations participated in religious giving. The average amount of giving across those with religious affiliations (N = 532, both givers and non-givers) was US$257, and the average donation for religious causes among givers to religious causes (N = 299) amounted to US$461. Combining secular and religious causes, 77.7 percent of survey participants (aged 19 or older) participated in at least one type of giving. The average amount of annual giving, both religious and secular, was US$208.

About 74.2 percent of survey participants gave in the form of mutual aid in preparation of their fortunate and misfortunate events, as has been practiced over a long time as a tradition in society. On average, the study sample (N = 1,005) gave US$343 for mutual aid, and the average among those givers (N = 745) was US$462.

Another interesting point in South Korean people’s giving is a strong correlation between religiosity and secular giving. As shown in Table 25.3, those with religion and no religion were different in terms of participation and the amount of secular giving. Among religious people, 75.2 percent participated in
Table 25.3  The relationship between religiosity and secular giving

<table>
<thead>
<tr>
<th></th>
<th>Giving Korea (2006)</th>
<th>Non-religious people$^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious people$^1$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation in secular giving (%)</td>
<td>75.2</td>
<td>69.9</td>
</tr>
<tr>
<td>Secular giving amount (US$)</td>
<td>73.5</td>
<td>70.5</td>
</tr>
<tr>
<td>Secular philantropic effort (%)</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Notes: $^1$‘Religious people’ denote those with religious effort ($=(\text{religious giving amount/annual household income})\times100$) greater than 0 percent; $^2$‘Non-religious people’ denote those with 0 percent religious effort.

Table 25.4  Regularity of individual secular giving in South Korea

<table>
<thead>
<tr>
<th>Individual giving</th>
<th>Regularly participated in 2005</th>
<th>20.4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regularly participated in 2003</td>
<td>24.7</td>
</tr>
<tr>
<td></td>
<td>Regularly participated in 2001</td>
<td>18.2</td>
</tr>
<tr>
<td></td>
<td>Regularly participated in 2000</td>
<td>16.3</td>
</tr>
</tbody>
</table>

secular giving, while among non-religious people 69.9 percent participated in secular giving. The average amount of secular giving among religious people was US$73.5 while that among non-religious people was US$70.5. But taking the household income size into account, the religious and non-religious groups were indifferent in terms of the proportion of their income given for secular causes (0.2 percent for both groups).

Regularity in secular giving is another important topic. As shown in Table 25.4, regularity in participation in secular giving has fluctuated over time. Such changes can be explained by changes in the economic conditions and in the culture of giving. Among people who participated in secular giving, 20.4 percent regularly participated in 2005. Overall, there has been an increase in regular participation in secular giving.

2.3 Explaining philanthropic giving in South Korea

In this section, this study examines the relationship between characteristics known to influence philanthropic behavior and the likelihood, amount and effort (the percentage of total income given to philanthropy) people give to any charitable causes (total giving), to religious causes and to secular causes. For the analysis on giving, this study employs logistic regressions and Tobit analyses: for participation in all types of giving, we use logistic regressions; and for the amount and effort (the percentage of total income given to philanthropy) in all types of giving, we use Tobit analyses. In the analysis of giving amount and
effort, we use a Tobit regression because donation data are left-censored. The results of a Tobit regression can be interpreted in a similar manner as the OLS regression results, with the exception that the linear effect is predicted on the uncensored latent dependent variable and not on the actual observed outcome.

### 2.3.1 Incidence of giving

Table 25.5 displays the results of a logistic regression analysis of whether or not people gave to any charitable causes (total giving), to religious causes and to secular causes. There are a few noteworthy findings. First, among these predictors, the strongest predictor in explaining the incidence of total giving is current volunteering for any causes: it shows a complementary relationship between volunteering and giving to any causes. Second, philanthropic socialization through previous participation, parental guidance, parental practice or social guidance turned out to be an interesting variable, implying that philanthropic socialization is one of the most important variables in strengthening people’s participation in all types of giving – except with the philanthropic socialization by previous participation for religious giving, which turns out to be negatively related to participation in religious giving. Third, Christians are relatively very active participants in all types of giving in comparison to non-Christians, including those with no religious affiliation. Fourth, large-city residents are found to participate in all types of giving less actively when compared to rural residents. Fifth, females are more active participants in religious giving and secular giving. Sixth, among many different occupations, those with self-employed jobs or white-collar jobs, are relatively active participants in total giving and secular giving. Seventh, regarding the education level, those with college education or more education are more active in religious giving than those with below high school education. Eighth, higher household income has a positive effect on the incidence of secular giving. Finally, the result shows that there is a polynomial relationship between age and the incidence of secular giving.

Table 25.6 displays the results from estimation of the common model which is comparable across countries. Judging from the results for religious giving, however, the logistic regression model seems inappropriate, as the coefficients, standard errors and odds ratios for the religious variables are abnormally big. Thus, we interpret the results leaving out the findings for the religious giving. First, those aged 35–65 have higher odds of participating in total giving and secular giving compared to those younger than 35 years old. Second, married individuals have higher odds of participating in total giving and secular giving than non-married individuals. Third, those with religion have higher odds of participating in total giving and secular giving than non-religious individuals. Fourth, those with religion have higher odds of participating in total giving than those with no religion, especially Protestants and those with religious affiliations other than Protestant or Roman Catholic have higher odds of participating in secular giving compared to those with no
Table 25.5  Logistic regression (Korean model) results for participation in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving†</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>S.E.</td>
<td>Odds ratio</td>
<td>Coef.</td>
<td>S.E.</td>
</tr>
<tr>
<td>Constant</td>
<td>-5.47**</td>
<td>2.20</td>
<td>-3.30</td>
<td>2.14</td>
<td>-8.50***</td>
</tr>
<tr>
<td>Age</td>
<td>0.06</td>
<td>0.05</td>
<td>0.01</td>
<td>0.05</td>
<td>0.13***</td>
</tr>
<tr>
<td>Age²</td>
<td>-0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00**</td>
</tr>
</tbody>
</table>

Under high school (ref.)

|                      | Total giving |                      | Religious giving |                      | Secular giving† |
|                      | Coef.        | S.E.                 | Odds ratio       | Coef.               | S.E.            | Odds ratio |
|                      |              |                      |                  |                     |                 |            |
| High school          | -0.02        | 0.32                 | 0.44             | 0.30                | 0.44            | 0.30       | 0.74 |
| College or more      | 0.26         | 0.37                 | 0.73***          | 0.35                | 2.08            | -0.08      | 0.92 |
| Gender (ref.: female)| -0.30        | 0.19                 | -0.59***         | 0.19                | 0.56            | -0.35***   | 0.17   | 0.70 |
| Marital status       | 0.36         | 0.25                 | 1.15             | 0.26                | 1.16            | 0.23       | 1.26 |
| Household income (log)¹ | 0.33        | 0.21                 | 1.14             | 0.21                | 1.16            | 0.54***    | 0.20   | 1.71 |
| Number of family members | -0.10        | 0.09                 | -0.05            | 0.09                | 0.95            | -0.11      | 0.09   | 0.89 |

Unemployed, housewife, student (ref.)

|                      | Total giving |                      | Religious giving |                      | Secular giving† |
|                      | Coef.        | S.E.                 | Odds ratio       | Coef.               | S.E.            | Odds ratio |
|                      |              |                      |                  |                     |                 |            |
| Farmers              | 0.92         | 0.65                 | 2.52             | 0.26                | 0.59            | 1.30       | 0.53 | 0.57 | 1.69 |
| Self-employed jobs   | 0.73***      | 0.27                 | 2.07             | -0.07               | 0.26            | 0.93       | 0.61 | 0.25 | 1.85 |
| Service jobs         | 0.24         | 0.29                 | 1.27             | 0.33                | 0.29            | 1.39       | 0.10 | 0.27 | 1.11 |
| Blue-collar jobs     | 0.31         | 0.38                 | 1.37             | 0.12                | 0.42            | 1.12       | 0.30 | 0.36 | 1.34 |
| White-collar jobs    | 0.75***      | 0.26                 | 2.12             | -0.26               | 0.26            | 0.77       | 0.59**| 0.24 | 1.80 |
### Rural areas (ref.)

<table>
<thead>
<tr>
<th></th>
<th>Small cities</th>
<th>Large cities</th>
<th>Christian</th>
<th>Religiosity²</th>
<th>Philanthropic socialization – social guidance³</th>
<th>Philanthropic socialization – parental guidance³</th>
<th>Philanthropic socialization – parental practice³</th>
<th>Philanthropic socialization – previous participation³</th>
<th>Acceptable social and physical distance for the use of donation</th>
<th>Generalized social trust</th>
<th>Current volunteering (Total/Religious/Secular)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.13</td>
<td>0.27</td>
<td>0.88</td>
<td>-0.69***</td>
<td>0.25</td>
<td>0.50</td>
<td>-0.31</td>
<td>0.25</td>
<td>0.73</td>
<td></td>
<td>1.36***</td>
</tr>
<tr>
<td></td>
<td>-0.42*</td>
<td>0.25</td>
<td>0.65</td>
<td>-0.64***</td>
<td>0.24</td>
<td>0.53</td>
<td>-0.58**</td>
<td>0.24</td>
<td>0.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.25***</td>
<td>0.23</td>
<td>3.50</td>
<td>2.09***</td>
<td>0.18</td>
<td>8.05</td>
<td>0.32*</td>
<td>0.18</td>
<td>1.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.02</td>
<td>0.03</td>
<td>1.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.25</td>
<td>0.19</td>
<td>1.29</td>
<td>0.36*</td>
<td>0.20</td>
<td>1.44</td>
<td>0.19</td>
<td>0.18</td>
<td>1.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.29</td>
<td>0.20</td>
<td>1.34</td>
<td>-0.20</td>
<td>0.19</td>
<td>0.82</td>
<td>0.36**</td>
<td>0.18</td>
<td>1.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.02</td>
<td>0.20</td>
<td>0.98</td>
<td>0.38*</td>
<td>0.20</td>
<td>1.46</td>
<td>0.00</td>
<td>0.18</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.50**</td>
<td>0.21</td>
<td>1.65</td>
<td>-0.54**</td>
<td>0.22</td>
<td>0.58</td>
<td>0.92***</td>
<td>0.20</td>
<td>2.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.03</td>
<td>0.08</td>
<td>1.04</td>
<td>-0.05</td>
<td>0.08</td>
<td>0.96</td>
<td>0.07</td>
<td>0.07</td>
<td>1.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.71</td>
<td>0.58</td>
<td>2.03</td>
<td>-0.52</td>
<td>0.58</td>
<td>0.59</td>
<td>0.24</td>
<td>0.54</td>
<td>1.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.36***</td>
<td>0.26</td>
<td>3.91</td>
<td>2.06***</td>
<td>0.45</td>
<td>7.82</td>
<td>1.12***</td>
<td>0.23</td>
<td>3.08</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** ¹Natural log of household income before tax in South Korean Won (KRW); ²(Religious giving amount/annual household income before tax) × 100. The logistic regression models for participation in total giving and religious giving exclude this variable: it drops out automatically when it has a value of zero by predicting success perfectly; ³yes = 1, no = 0; ⁴Secular giving comprises of giving to: organizations both secular and religious (through religious organizations for secular causes), public benefits, education, political causes, civic movement, health, culture, international relief, other causes and to individuals (the homeless, friends, neighbors and relatives); * < 0.10; ** < 0.05; *** < 0.01.
Table 25.6  Logistic regression (common model) results for participation in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving³</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>−0.51</td>
<td>0.50</td>
<td></td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.45**</td>
<td>0.23</td>
<td>1.58</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.46</td>
<td>0.59</td>
<td>1.58</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary education</td>
<td>−0.24</td>
<td>0.39</td>
<td>0.79</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.09</td>
<td>0.42</td>
<td>1.09</td>
</tr>
<tr>
<td>Male</td>
<td>0.01</td>
<td>0.17</td>
<td>1.01</td>
</tr>
<tr>
<td>Married</td>
<td>0.49**</td>
<td>0.22</td>
<td>1.63</td>
</tr>
<tr>
<td>After-tax household income¹</td>
<td>0.06</td>
<td>0.07</td>
<td>1.06</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.14</td>
<td>0.20</td>
<td>1.15</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>1.00***</td>
<td>0.31</td>
<td>2.17</td>
</tr>
<tr>
<td>Protestant</td>
<td>2.10***</td>
<td>0.31</td>
<td>8.15</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>1.04***</td>
<td>0.22</td>
<td>2.82</td>
</tr>
<tr>
<td>Religiosity²</td>
<td>−</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Generalized trust</td>
<td>0.73</td>
<td>0.54</td>
<td>2.09</td>
</tr>
</tbody>
</table>

Notes: ¹After-tax household income in 2012 US$/10,000. This variable has been estimated with the before-tax household income in the dataset as no after-tax household income information was available. As a result, the actual after-tax household income may differ from the estimation used in the analyses; ²(Religious giving amount/annual household income before tax) ×100. The logistic regression models for participation in total giving and religious giving exclude this variable; it drops out automatically when it has a value of zero by predicting success perfectly; ³Secular giving comprises of giving to: organizations both secular and religious (through religious organizations for secular causes), public benefits, education, political causes, civic movement, health, culture, international relief, other causes and to individuals (the homeless, friends, neighbors and relatives); * < 0.10; ** < 0.05; *** < 0.01; ⁴The data led to the perfect separation (perfect prediction) problem, as Korean respondents with “no religion” did not participate in religious giving. Running model to accommodate this issue, however, does not change the results. We kept the model as is to be consistent with other analyses in the book.
religion. Fourth, those with higher after-tax income have greater odds of taking part in secular giving.

2.3.2 Amount donated

Table 25.7 shows the results of Tobit regression analyses on natural log of total amount people gave to any charitable cause, to religious charitable cause and to secular charitable causes in 2005. There are a few interesting findings to highlight. First, similar to the results with the incidence of giving, we find that the strongest predictor in explaining the amount of all types of giving is current participation in any volunteering; those who volunteered at the time of the survey give relatively higher amount to all types of causes. Second, an interesting predictor to pay attention is philanthropic socialization by previous participation. We find that philanthropic socialization is one of the most important variables in increasing the amount people give to all types of causes. Similar to the results with the incidence of giving, philanthropic socialization by previous participation has a positive effect on the amount of total giving and secular giving, but is negatively related to the amount of religious giving. Third, Christians give greater amounts for all types of giving than non-Christians including those with no religious affiliation. Fourth, women donate greater amounts than men for all types of giving. Fifth, urban residents give smaller amounts than rural residents for all types of giving. Sixth, having a higher household income has a positive effect on the amount of total giving and secular giving. Seventh, having a higher education level has a positive impact on the amount of total giving and religious giving. Eighth, those with self-employed jobs, service jobs, blue-collar jobs and white-collar jobs donate greater amounts in total giving. People with self-employed jobs, blue-collar jobs or white-collar jobs donate greater amounts in secular giving. Ninth, the acceptable social and physical distance for the use of donation has a positive effect on the amount of total giving and secular giving, meaning that those who accept their donations to be used for a greater social and physical distance donate greater amounts in total giving and secular giving. Finally, the results indicate that there is a polynomial relationship between age and the amount of secular giving.

Additional analyses were carried out with a model consisting of common variables comparable to models from other countries. As shown in Table 25.8, the results indicate that: first, those with religion, regardless of the type of religion, give more in all three types of giving; second, those in between 35 and 65 years old give more in total giving and secular giving compared to those younger than 35 years old, while those over 65 gave more total giving and religious giving; third, those married give greater amounts in total giving and secular giving than those non-married; fourth, those with higher after-tax household income show greater amounts in total giving and secular giving; fifth, the secular giving amount for those with tertiary education is larger than


<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. S.E.</td>
<td>Coef. S.E.</td>
<td>Coef. S.E.</td>
<td>Coef. S.E.</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-6.35*** 2.16</td>
<td>-6.38 6.26</td>
<td>-12.19*** 2.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.06 0.05</td>
<td>-0.04 0.14</td>
<td>0.16*** 0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age²</td>
<td>-0.00 0.00</td>
<td>0.00 0.00</td>
<td>-0.00** 0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under high school (ref.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school</td>
<td>0.34 0.31</td>
<td>1.92** 0.92</td>
<td>-0.27 0.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>College and above</td>
<td>0.85** 0.35</td>
<td>2.22** 1.07</td>
<td>0.24 0.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender (ref.: female)</td>
<td>-0.60*** 0.19</td>
<td>-1.51*** 0.56</td>
<td>-0.55*** 0.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital status</td>
<td>0.33 0.26</td>
<td>0.45 0.77</td>
<td>0.21 0.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household income (log)¹</td>
<td>0.48** 0.21</td>
<td>0.19 0.60</td>
<td>0.83*** 0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of family members</td>
<td>-0.12 0.09</td>
<td>-0.21 0.28</td>
<td>-0.08 0.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed, housewife, student (ref.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers</td>
<td>0.29 0.65</td>
<td>-0.01 1.80</td>
<td>0.03 0.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employed jobs</td>
<td>0.80*** 0.27</td>
<td>-0.95 0.78</td>
<td>0.95*** 0.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service jobs</td>
<td>0.60** 0.30</td>
<td>0.74 0.84</td>
<td>0.37 0.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue-collar jobs</td>
<td>0.76* 0.42</td>
<td>-0.27 1.28</td>
<td>0.92** 0.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White-collar jobs</td>
<td>0.94*** 0.26</td>
<td>-1.06 0.77</td>
<td>1.03*** 0.25</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Notes:**
- Coef. = Coefficient
- S.E. = Standard Error
- Significance levels: *p < 0.1, **p < 0.05, ***p < 0.01
- ¹ Logarithmic transformation of household income.

**Source:** Giving Korea, 2006
### Rural areas (ref.)

<table>
<thead>
<tr>
<th>Category</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>T-Value</th>
<th>P-Value</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>T-Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small cities</td>
<td>-0.37</td>
<td>0.26</td>
<td>-2.16***</td>
<td>0.077</td>
<td>-0.34</td>
<td>0.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cities</td>
<td>-0.58**</td>
<td>0.24</td>
<td>-1.39*</td>
<td>0.173</td>
<td>-0.58**</td>
<td>0.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christian</td>
<td>1.95***</td>
<td>0.19</td>
<td>6.37***</td>
<td>0.058</td>
<td>0.47**</td>
<td>0.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religiosity^2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.01</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic socialization – school guidance^3</td>
<td>0.27</td>
<td>0.19</td>
<td>0.84</td>
<td>0.58</td>
<td>0.07</td>
<td>0.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic socialization – parental guidance^3</td>
<td>0.14</td>
<td>0.19</td>
<td>-0.22</td>
<td>0.57</td>
<td>0.29</td>
<td>0.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic socialization – parental practice^3</td>
<td>0.22</td>
<td>0.20</td>
<td>0.15</td>
<td>0.60</td>
<td>0.20</td>
<td>0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philanthropic socialization – previous participation^3</td>
<td>0.45*</td>
<td>0.23</td>
<td>-1.21*</td>
<td>0.68</td>
<td>1.04***</td>
<td>0.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceptable social and physical distance for the use of donation</td>
<td>0.14*</td>
<td>0.08</td>
<td>0.10</td>
<td>0.24</td>
<td>0.17**</td>
<td>0.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generalized social trust</td>
<td>-0.58</td>
<td>0.57</td>
<td>-2.67</td>
<td>1.74</td>
<td>-0.30</td>
<td>0.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current volunteering (Total/Religious/Secular)</td>
<td>1.19***</td>
<td>0.20</td>
<td>3.83***</td>
<td>0.92</td>
<td>1.24***</td>
<td>0.19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** 1. Natural log of household income before tax in South Korean Won (KRW); 2. (Religious giving amount/annual household income before tax) × 100. This variable is excluded from models for total giving and religious giving because it is used to derive dependent variables in those two models; 3. yes = 1, no = 0; 4. Secular giving comprises of giving to: organizations both secular and religious (through religious organizations for secular causes), public benefits, education, political causes, civic movement, health, culture, international relief, other causes and to individuals (the homeless, friends, neighbors and relatives); * < 0.10; ** < 0.05; *** < 0.01.
Table 25.8 Tobit regression (common model) results of the natural log of the giving amount in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)

<table>
<thead>
<tr>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving&lt;sup&gt;3&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coef.</td>
<td>S.E.</td>
<td>Coef.</td>
</tr>
<tr>
<td>Constant</td>
<td>0.11</td>
<td>0.53</td>
</tr>
<tr>
<td><strong>Aged under 35 (ref.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.76***</td>
<td>0.25</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>1.55***</td>
<td>0.58</td>
</tr>
<tr>
<td><strong>Primary education (ref.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.10</td>
<td>0.40</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.63</td>
<td>0.43</td>
</tr>
<tr>
<td>Male</td>
<td>-0.17</td>
<td>0.18</td>
</tr>
<tr>
<td>Married</td>
<td>0.55*</td>
<td>0.24</td>
</tr>
<tr>
<td>After tax household income&lt;sup&gt;1&lt;/sup&gt;</td>
<td>0.12*</td>
<td>0.06</td>
</tr>
<tr>
<td>Home ownership</td>
<td>0.09</td>
<td>0.21</td>
</tr>
<tr>
<td><strong>Not religious (ref.)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>2.35***</td>
<td>0.31</td>
</tr>
<tr>
<td>Protestant</td>
<td>2.98***</td>
<td>0.23</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>1.66***</td>
<td>0.22</td>
</tr>
<tr>
<td>Religiosity&lt;sup&gt;2&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Generalized trust</td>
<td>-0.29</td>
<td>0.58</td>
</tr>
</tbody>
</table>

Notes: <sup>1</sup> After tax household income in 2012 US$/10,000. This variable has been estimated with the before-tax household income in the dataset as no after-tax household income information was available. As a result, the actual after-tax household income may differ from the estimation used in the analyses; <sup>2</sup>(Religious giving amount/annual household income before tax) × 100. This variable is excluded from models for total giving and religious giving because it is used to derive dependent variables in those two models; <sup>3</sup> Secular giving comprises of giving to: organizations both secular and religious (through religious organizations for secular causes); public benefits; education; political causes; civic movement; health; culture; international relief; other causes; and to individuals (the homeless, friends, neighbors and relatives); <sup>4</sup>The model for religious giving excluded ‘other religious affiliation’ variable because a convergence was not achieved in the Tobit regression analysis with all three religious dummy variables; * < 0.10; ** < 0.05; *** < 0.01.

those with primary education; and sixth, men’s religious giving is smaller than women’s.

2.3.3 The philanthropic effort (the percentage of total income given to philanthropy)

Table 25.9 displays the results of Tobit regression analysis on natural log of philanthropic effort (the percentage of total income given to philanthropy) to any charitable causes, religious or secular, in 2005. First, similar to results for the incidence of giving and the amount of giving, we find the strongest predictor in explaining the effort of all types of giving is current participation in volunteering for any causes: those who were volunteering at the time of the survey have
Table 25.9  Tobit regression results of the natural log of philanthropic effort in total, religious and secular giving in South Korea in 2005 (N = 984; Giving Korea, 2006)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>S.E.</td>
<td>Coef.</td>
<td>S.E.</td>
<td>Coef.</td>
</tr>
<tr>
<td>Constant</td>
<td>0.99**</td>
<td>0.44</td>
<td>1.12</td>
<td>1.07</td>
<td>−0.58**</td>
</tr>
<tr>
<td>Age</td>
<td>0.00</td>
<td>0.01</td>
<td>−0.01</td>
<td>0.02</td>
<td>0.02**</td>
</tr>
<tr>
<td>Age²</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>−0.00**</td>
</tr>
<tr>
<td>Under high school (ref.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school</td>
<td>0.21***</td>
<td>0.06</td>
<td>0.46***</td>
<td>0.16</td>
<td>0.02</td>
</tr>
<tr>
<td>College and above</td>
<td>0.32***</td>
<td>0.07</td>
<td>0.54***</td>
<td>0.18</td>
<td>0.10**</td>
</tr>
<tr>
<td>Gender (ref.: female)</td>
<td>−0.11***</td>
<td>0.04</td>
<td>−0.20***</td>
<td>0.10</td>
<td>−0.07**</td>
</tr>
<tr>
<td>Marital status</td>
<td>0.03</td>
<td>0.05</td>
<td>0.10</td>
<td>0.13</td>
<td>−0.01</td>
</tr>
<tr>
<td>Household income (log)¹</td>
<td>−0.14***</td>
<td>0.04</td>
<td>−0.20**</td>
<td>0.10</td>
<td>0.00</td>
</tr>
<tr>
<td>Number of family members</td>
<td>−0.04**</td>
<td>0.02</td>
<td>−0.06</td>
<td>0.05</td>
<td>−0.01</td>
</tr>
<tr>
<td>Unemployed, housewife, student (ref.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers</td>
<td>0.05</td>
<td>0.13</td>
<td>−0.00</td>
<td>0.30</td>
<td>−0.01</td>
</tr>
<tr>
<td>Self-employed jobs</td>
<td>0.09*</td>
<td>0.06</td>
<td>−0.17</td>
<td>0.13</td>
<td>0.11***</td>
</tr>
<tr>
<td>Service jobs</td>
<td>0.05</td>
<td>0.06</td>
<td>0.07</td>
<td>0.15</td>
<td>0.03</td>
</tr>
<tr>
<td>Blue-collar jobs</td>
<td>0.16*</td>
<td>0.09</td>
<td>0.05</td>
<td>0.21</td>
<td>0.11**</td>
</tr>
<tr>
<td>White-collar jobs</td>
<td>0.11**</td>
<td>0.05</td>
<td>−0.15</td>
<td>0.13</td>
<td>0.10***</td>
</tr>
</tbody>
</table>
Table 25.9  (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th></th>
<th>Religious giving</th>
<th></th>
<th>Secular giving$^4$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef.</td>
<td>S.E.</td>
<td>Coef.</td>
<td>S.E.</td>
<td>Coef.</td>
<td>S.E.</td>
</tr>
<tr>
<td>Rural areas (ref.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small cities</td>
<td>−0.09$^*$</td>
<td>0.05</td>
<td>−0.37$^{***}$</td>
<td>0.13</td>
<td>−0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>Large cities</td>
<td>−0.11$^{**}$</td>
<td>0.05</td>
<td>−0.26$^{**}$</td>
<td>0.13</td>
<td>−0.05$^*$</td>
<td>0.03</td>
</tr>
<tr>
<td>Christian</td>
<td>0.50$^{***}$</td>
<td>0.04</td>
<td>1.15$^{***}$</td>
<td>0.10</td>
<td>0.09$^{***}$</td>
<td>0.02</td>
</tr>
<tr>
<td>Religiosity$^2$</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−</td>
<td>−0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Philanthropic socialization – school guidance$^3$</td>
<td>0.09$^{**}$</td>
<td>0.04</td>
<td>0.20$^{**}$</td>
<td>0.10</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>Philanthropic socialization – parental guidance$^3$</td>
<td>0.01</td>
<td>0.04</td>
<td>−0.04</td>
<td>0.10</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Philanthropic socialization – parental practice$^3$</td>
<td>0.05</td>
<td>0.04</td>
<td>0.03</td>
<td>0.10</td>
<td>0.03</td>
<td>0.02</td>
</tr>
<tr>
<td>Philanthropic socialization – previous participation$^3$</td>
<td>0.07</td>
<td>0.05</td>
<td>−0.15</td>
<td>0.12</td>
<td>0.09$^{***}$</td>
<td>0.03</td>
</tr>
<tr>
<td>Acceptable social and physical distance for the use of donation</td>
<td>0.04$^{**}$</td>
<td>0.02</td>
<td>0.02</td>
<td>0.04</td>
<td>0.03$^{***}$</td>
<td>0.01</td>
</tr>
<tr>
<td>Generalized social trust</td>
<td>−0.25$^{**}$</td>
<td>0.12</td>
<td>−0.58$^*$</td>
<td>0.30</td>
<td>−0.08</td>
<td>0.07</td>
</tr>
<tr>
<td>Current volunteering (Total/Religious/Secular)</td>
<td>0.22$^{***}$</td>
<td>0.04</td>
<td>0.71$^{***}$</td>
<td>0.16</td>
<td>0.14$^{***}$</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Notes: 1 Natural log of household income before tax in South Korean Won (KRW); 2 Religious giving amount/annual household income before tax) × 100. This variable is excluded from models for total giving and religious giving because it is used to derive dependent variables in those two models; 3Yes = 1, no = 0; 4Secular giving comprises of giving to: organizations both secular and religious (through religious organizations for secular causes); public benefits; education; political causes; civic movement; health; culture; international relief; other causes; and to individuals (the homeless, friends, neighbors and relatives); $^*$ < 0.10; $^{**}$ < 0.05; $^{***}$ < 0.01.
a relatively higher philanthropic effort in all types of causes. Second, an interesting predictor is philanthropic socialization by school guidance and previous participation: philanthropic socialization is one of the most important variables in enhancing people’s philanthropic effort in all types of causes. Similar to the results for the incidence of giving and the amount of giving, philanthropic socialization by previous participation had a positive impact on the effort to secular giving. Third, similar to the results for the amount of giving, Christians have higher philanthropic effort than non-Christians, including those with no religious affiliation in all types of giving. Fourth, having a higher education level has a positive impact on the efforts to all types of giving. Fifth, women show higher effort than men in all types of giving. Sixth, urban residents show lower efforts than rural residents in all types of giving. Seventh, having higher household income has a negative effect on efforts to total giving and religious giving, meaning that those with lower household income give a greater share of their income to total and religious giving compared to those with higher income. In other words, from the perspective of philanthropic effort, those with lower income have a greater devotion to giving than those with higher income. Eighth, as in the amount of giving, those with self-employed jobs, blue-collar jobs and white-collar jobs have higher effort levels in total giving and secular giving. Ninth, similar to the results for the amount of giving, the acceptable social and physical distance for the use of donation has a positive influence on the effort in total giving and secular giving: those more generous in accepting a greater social and physical distance for the use of donation have higher efforts in total giving and secular giving. Tenth, generalized trust shows a negative impact on the efforts to total giving and religious giving. Eleventh, a greater number of family members is negatively related to the effort in total giving. Finally, similar to the analysis result with the amount of giving, we find a polynomial relationship between age and the effort in secular giving.

3. Conclusion

South Korea has a relatively short history on philanthropy. The country was a recipient of global philanthropy until the 1970s. However, since the successful transformation of the nation with economic growth and democratization in the 1980s, South Korea has begun to develop a rich philanthropic sector, becoming one of the most active nations in global philanthropy (Kang, 2005). In the processes of expansion and development, several factors have contributed to enhancing South Korean philanthropy and its nonprofit sector.

The first factor facilitating giving is continuous economic development: South Korea has grown from one of the poorest countries in the 1950s–1960s to a country with the 15th largest economy in 2012, with its GDP reported at US$1.2 trillion (International Monetary Fund, 2013). This growth has made
it possible for people to participate in diverse social causes with giving and volunteering. Second, another significant factor is government intervention in philanthropy and the nonprofit sector. Needing reliable partners to solve diverse social problems after the nation’s democratization, the government partnered with the nonprofit sector for the sustainable development of society and supported the sector with relevant policies. Currently, the South Korean government has made efforts to institutionalize new planned giving programs and new laws, such as the ‘Charity Act’ in the United Kingdom to strengthen philanthropy and the nonprofit sector in South Korea. Third, mass media, such as broadcasting and newspaper organizations, have also strengthened South Korean people’s involvement in philanthropy. Since the late 1980s, these media organizations have made special efforts with special campaigns and regular TV programs to motivate people’s engagement in philanthropy and nonprofit activities. Fourth, South Koreans with religious affiliations, about half of the population, have been active donors for secular causes. Particularly, among people with religious affiliations, Christians (Protestants and Catholics) with higher religiosity have been the most active donors for secular giving in terms of participation, amount and efforts. To them, secular giving and religious giving are complementary. The fifth factor rests on the underdeveloped status of South Korea as a welfare state given the size of its economy. This underdevelopment evokes an active participation in giving by the middle and upper classes as well as corporations to help the poor.

In South Korea, there are other noticeable actors in philanthropy: corporate donors and religious donors. Corporations in South Korea have expanded their roles in philanthropy by developing diverse corporate philanthropy programs, and religious organizations have also expanded their roles in philanthropy by establishing diverse NPOs to enhance community welfare. Despite the notable work by corporations and religious organizations, the growth and development of charity and philanthropy by individuals are the most powerful phenomenon in South Korea. As shown in national statistics, individual tax deductions for philanthropy takes a greater share of total tax deductions than corporate tax deductions.

Despite such facilitators, many opportunities remain to increase the volume and quality of philanthropy in South Korea. First, the sector has the potential for more active participation by the wealthy. The challenge currently, however, is that South Koreans place a high value on continuous inheritance of wealth within the family – a tradition based on Confucian values as well as wealthy people’s enforced connections with political leaders through informal political donations. The lack of exemplary models of giving by the wealthy in Korea – such as Andrew Carnegie, John Rockefeller, Bill Gates or Warren Buffett in the United States – limits active participation of the rich, leading ordinary citizens to give more commonly than the rich. Moreover, the sector is lacking a system
supported by policies to incentivize the wealthy to participate in planned giving, thus limiting their active philanthropic behavior. Nevertheless, considering South Korea’s rapid economic and philanthropic development in recent years, the nation will soon be one of the most active donor nations for secular causes and religious causes in spite of its challenges.

Notes

1. The size of the public social expenditure in Korea was 9.3 percent of the GDP (US$1.2 trillion) in 2012. It is well below the OECD average of 21.7 percent, placing Korea at the bottom of the list excluding Turkey, Mexico, Japan and Chile for which no data exists (OECD StatExtracts, 2012).
2. In 2013, the estimated total population of South Korea is 50.2 million and the economically active population (aged 15–64) is about 36.7 million, which is 73.1 percent of the total population (Korean Statistical Information Service, 2013).
6. The exchange rate used is KRW 1,000 = US$0.9 (average exchange rate between December 1, 2004 and January 1, 2005) and the price adjustment to convert 2005 US$ to 2012 is 1.1606. Sources are from www.oanda.com and www.bls.gov.com, respectively.

References


Giving in Taiwan: On the Rise following Economic Growth and Political Democratization

Kuang-Ta Lo* and Shih-Ying Wu

1. The philanthropic landscape

1.1 History

The evolution of Taiwan’s nonprofit sector and private donations closely relates to its political and social circumstances. According to Chen (2008), the earliest historical record of nonprofit groups dates back to the 1950s. Those groups were assembled by local elites, noble families or religious temples and provided poverty relief to those in need. Although they were not well organized, they are still regarded as the origin of nonprofit organizations in Taiwan. In 1949, the Nationalist government emerged in Taiwan and instituted the martial law, denying the right of free speech, assembly and association. Thus, the number of nonprofits grew slowly. During the 1970s and the 1980s, most nonprofit organizations were established through economic aid by other international organizations. Although the number of nonprofits thus increased, the members were mostly limited to a small number of middle-class people and elites of the society.

Taiwan’s economy started to take off in the 1970s, as its political environment became increasingly democratic. In the 1980s, the first political opposition party was established, causing the Taiwanese people to realize that the government cannot alone solve the country’s many emerging social problems. Thus, in the process of democratization, people became more aware of their liberties and the concept of social welfare from Western countries. After the martial law was abolished in 1987, nonprofit organizations were increasingly established in Taiwan.

Because of democratization and social development in Taiwan’s society, the demand for nonprofit organizations has grown rapidly over time, and the sector has become more mature and diverse. In general, Taiwan’s nonprofit
organizations currently focus on both traditional charity activities (mostly care for the poor and needy) and certain social issues. For instance, after the 921 earthquake in 1999 and the 88 flood caused by Typhoon Morakot in 2009,1,2 volunteers and members of nonprofit organizations rapidly provided relief to victims in disaster areas. Such actions have expanded the role of nonprofit organizations in the provision of social services.

1.2 Size and scope of the nonprofit sector in Taiwan

Taiwan has different classification criteria for nonprofit organizations. Hsiao (2004) argues that Taiwan’s nonprofit organizations can be divided into two categories according to their main goals of establishment. The first type advocates social movements and fights for social reforms, while the second type aims to improve the lives of disadvantaged groups and provides social welfare. The number of groups in the latter is much larger than that of the former.

In Taiwan, the Ministry of Interior and local governments are primarily responsible for the supervision of nonprofit organizations. From the point of view of governments, nonprofit organizations in Taiwan comprise of foundations, nonprofit social associations, trade unions, chambers of commerce, vocational organizations, temples, churches and others. The Social Affair Department of the Ministry of Interior further divides nonprofit social associations into eight categories: academic and cultural, medical, religious, sports, social service and charity, international, economic business and others.

Kuan and Duh (2011) classify nonprofit organizations in Taiwan based on their registrations with the government. The first group is nonprofit social associations, which are registered with the Ministry of the Interior and local governments. In 2009, the total number of this group was 34,171. The second group is foundations, which are registered with the related authorities in the central and local governments, and add up to 4,000. The third is vocational organizations, which are registered with the Ministry of the Interior, the Council of Labor Affairs and local governments, and totaled to 10,286 in 2009. The last group is religious organizations, such as temples and churches, which are registered with the Ministry of the Interior and local governments, and total to 15,118. Thus, the total number of all nonprofit organizations across these four groups amounted to 63,575 in 2009.

In terms of government spending, public expenditure on social welfare was US$9.9 billion (NT$346.9 billion) in 2003, accounting for 15.7 percent of total government spending.3 In 2007, the amount of social welfare expenditures increased to US$11.4 billion (NT$372.2 billion), which was about 2.9 percent of Taiwan’s GDP and accounted for 16.3 percent of total government expenditure. Over the past few years, public spending on social welfare has significantly risen. There is an upward trend in the proportion of the total expenditure, providing evidence that Taiwan’s government has increased its attention to social welfare in recent years.
1.3 Government policy in the nonprofit sector

1.3.1 Government support

Over 50 percent of nonprofit organizations’ revenues in Taiwan come from private donations, with government subsidies being the second biggest financial resource. According to Ou (2009), 25–30 percent of nonprofit organizations’ revenues are derived from government grants. As noted, public spending on social welfare has increased recently, but the nonprofit sector as a whole has grown even faster. Hence, the average amount of government subsidies to each nonprofit organization has fallen. As a result, nonprofit organizations in Taiwan must compete for their shares of government grants.

Both private donations and government subsidies are highly influenced by economic fluctuation, requiring nonprofit organizations to find other ways to support their programs. Many of them have started to sell goods and services in order to earn steady revenues. For example, Children Are Us Foundation (CAREUS) has established several sheltered workshops in Taiwan that hire children with intellectual disabilities to make cookies and snacks for sale. Other nonprofit organizations are similarly finding other ways to increase their revenues in Taiwan.

1.3.2 Fiscal incentives

Taiwan’s tax authorities provide some incentives and benefits to encourage charitable contributions by allowing individuals and firms to deduct their donations from their income tax base. For individuals, there are two major tax incentives for people who donate to nonprofit organizations. One is the deduction of charitable donations under the income tax law. Because Taiwan’s income tax system is progressive, taxpayers face different marginal tax rates according to their net income levels, and the marginal tax rates range from 5 to 40 percent. For donors, their marginal tax rate determines the price of the contributions. The price of charitable contributions is the portion of the donation not returned in the form of a tax deduction. For example, an itemizing taxpayer in the 5 percent tax bracket faces a net price of US$0.95 for a US$1 gift. Thus, a taxpayer in a higher tax bracket faces a lower price.

Although private donations to government-approved nonprofit organizations can be deducted from taxable income,\(^4\) the amount of charitable deductions cannot exceed 20 percent of a taxpayer’s gross income. However, all donations to the government are deductible without any limits.

The other major tax incentive for individuals is granted in the Estate Tax Law. Private donations to government-approved nonprofit organizations can be excluded from the gross estate, and thus those donations are estate tax-free. For profit-seeking enterprises, the Taiwan government also provides tax incentives for their donations. Charitable contributions to eligible nonprofit organizations
can be viewed as losses or expenses in that year, but the total amount donated cannot exceed 10 percent of the enterprise’s income.

According to the Ministry of Finance, there were 5,349,318 individual income tax returns in 2009. A total of 83.4 percent of all tax returns chose to use the standard deductions, while 16.6 percent of them chose to file itemized deductions. Moreover, 675,159 tax returns reported their income tax with charitable deductions, accounting for 12.6 percent of all tax returns and 76.1 percent of tax returns with itemized deductions. Table 26.1 displays Taiwan’s donation facts based on different levels of net income in 2009.

From Table 26.1, we find that the percentage of tax returns with charitable contributions increases with income. In every income bracket, the percentages of itemized tax returns with charitable deductions are over 50 percent (see column E). This result indicates that charitable giving is a prevalent economic behavior across all income levels in Taiwan. Moreover, since the income tax system in Taiwan is progressive, higher-income households receive more benefits from charitable deductions. Thus, in the top-income bracket, 72.4 percent of all tax returns declared charitable deductions and 93.5 percent of all itemized tax returns filed charitable deductions.

Steinberg (1990) argues that donations are similar to any other purchases a consumer makes. Thus, when the tax price of giving changes, so does the amount of donations. The only difference is the government will forgo tax revenues in exchange of charitable contributions. According to Taiwan’s Central Government General Budget Report, the amount of tax expenditures from charitable donations was US$111 million (NT$3.648 billion) in 2009, or 0.1 percent of government spending.

1.4 Regulation of the nonprofit sector

Because the main purpose of nonprofit organizations is to provide social welfare and charitable activities rather than make profits, the revenues of nonprofit organizations are generally exempt from taxes as long as they meet relevant requirements. For example, nonprofit organizations must legally register with government agencies. Moreover, the distribution of surplus revenue is not allowed, and the records must be filed in accordance with relevant laws and requirements. Operating expenditures related to the main goal of the nonprofit organization should not be lower than 70 percent of annual recurring revenues and interest revenues. In Taiwan, tax authorities predominantly allow nonprofit organizations to be exempt from income taxes if they are eligible for the ‘Requirements for Income Tax Exemption for Educational, Cultural, Public Welfare or Charitable Organizations or Institutions.’

In addition to the tax laws, their regulations apply to nonprofit organizations in Taiwan. According to the Civil Law, nonprofit organizations can be broadly classified into two types: nonprofit social associations and foundations. The
Table 26.1  Numbers of tax returns with charitable deductions in different income levels unit: US$ and NT$ are in thousands; % (Statistics for Assessment of Individual Income Tax Returns, Ministry of Finance, Taiwan, 2009)

<table>
<thead>
<tr>
<th>Level of Income</th>
<th># of tax returns</th>
<th># of tax returns with itemized deductions</th>
<th># of tax returns reporting charitable deductions</th>
<th>% of total tax returns</th>
<th>% of itemized tax returns with charitable deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET = 0</td>
<td>2,221,421</td>
<td>113,065</td>
<td>64,164</td>
<td>2.9</td>
<td>56.7</td>
</tr>
<tr>
<td>US$0–12.5 (NT$0–410)</td>
<td>2,050,579</td>
<td>326,408</td>
<td>226,823</td>
<td>11.1</td>
<td>69.5</td>
</tr>
<tr>
<td>US$12.5–33.1 (NT$410–1,090)</td>
<td>734,978</td>
<td>252,936</td>
<td>209,329</td>
<td>28.5</td>
<td>82.8</td>
</tr>
<tr>
<td>US$33.1–66.3 (NT$1,090–2,180)</td>
<td>238,577</td>
<td>124,753</td>
<td>111,055</td>
<td>46.6</td>
<td>89.0</td>
</tr>
<tr>
<td>US$66.3–124.3 (NT$2,180–4,090)</td>
<td>73,951</td>
<td>48,158</td>
<td>43,608</td>
<td>59.0</td>
<td>90.6</td>
</tr>
<tr>
<td>US$124.3–152 (NT$4,090–5,000)</td>
<td>9,988</td>
<td>7,086</td>
<td>6,507</td>
<td>65.2</td>
<td>91.8</td>
</tr>
<tr>
<td>US$152–304 (NT$5,000–10,000)</td>
<td>14,037</td>
<td>10,272</td>
<td>9,484</td>
<td>67.6</td>
<td>92.3</td>
</tr>
<tr>
<td>&gt;US$304 (&gt;NT$10,000)</td>
<td>5,787</td>
<td>4,481</td>
<td>4,189</td>
<td>72.4</td>
<td>93.5</td>
</tr>
<tr>
<td>Total</td>
<td>5,349,318</td>
<td>887,159</td>
<td>675,159</td>
<td>12.6</td>
<td>76.1</td>
</tr>
</tbody>
</table>
former are self-regulating legal entities, who are supervised and managed by their respective member assemblies. On the other hand, foundations are asked to establish a board of directors. The number of directors should be singular and no less than seven. At least one-third of the directors must specialize in the activities of the foundation. It is not allowed that more than one-third of the directors are in a spousal relationship or are close relatives or marriage relatives. Foundations are also asked to adopt a legal accounting system and to keep the necessary accounting records for auditing.

1.5 Culture

1.5.1 Religion

According to Taiwan Social Change Survey (TSCS) for 2009, 87.1 percent of Taiwan’s population hold religious beliefs. Among them, 42.8 percent of the population have folk beliefs, which are a combination of Buddhism, Taoism and Confucianism. Although there is no state church in Taiwan, folk beliefs are the most popular informal religion, which does not have a single belief code nor religious hierarchies. After folk beliefs follows the popular religions of Buddhism (19.7 percent of the population) and Taoism (13.5 percent), while Protestants and Roman Catholics account for 4 percent and 1.5 percent of the population, respectively. Comparing the 2009 survey to the same survey conducted in 1999, the composition of religious beliefs has remained relatively stable in Taiwan, except that the percentage of Buddhism followers has declined while the percentage of those adhering to folk beliefs has increased. The above-mentioned TSCS survey also reveals that people who attend religious services at least once a week comprise 11 percent of the total population.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Typical solicitation methods employed by Taiwan’s nonprofit organizations generally include media ads, door-to-door solicitations, fund-raising campaign events (such as concerts and 30-hour famine), sales of goods with and without anonymity and workplace campaigns. Taiwan lacks any survey on nonprofit organizations regarding their approaches to raising funds. Thus, we utilize a survey on donors to analyze the methods by which they make their donations. Most donors make regular or one-time donations to nonprofit organizations after seeing media coverage of fund-raising for disaster relief. Door-to-door solicitations also play an important role in fund-raising, provided that they can persuade people to make monthly or yearly pledges. For example, Tzu-Chi – a Buddhist foundation whose mission encompasses charity, medicine, education, culture, international relief, environmental protection
and more – has successfully raised funds by developing a network of donors committed to small amounts of planned monthly or yearly donations. Following the above two methods, many people make donations through fund-raising campaign events.

With respect to fund-raising costs, no statistics of administrative expenses or fund-raising expenses of the nonprofit sector or organizations are available. However, a survey by United Way of Taiwan in 2003 revealed that 64.5 percent of the surveyed charities spent less than 15 percent of their revenues in fund-raising, while about 20 percent of the charities spent more than 20 percent (Chen, 2013). However, due to media coverage of fund-raising corruption, fund-raising expenses have been capped at 15 percent of total revenues in the ‘Charity Fundraising Act’ established in 2007.

1.5.2.2 Major donors
According to the tax return statistics from the Ministry of Finance of Taiwan, the average amount of household donations was US$974 (in 2012 US dollars) for households itemizing donations in their 2005 tax returns, comprising of 1.78 percent of their income. However, 28 households donated over US$1 million in 2005. The largest donation amount for a single household was US$274 million in 2005. The average amount of donations was US$6,113 among the top 1 percent of households in income, comprising 1.97 percent of their income. For the top 0.1 percent households, the average amount of donations reached US$33,270 and accounted for 2.67 percent of their income.

In terms of major donors’ share of total charitable giving in Taiwan, the same tax return data reveal that the top 0.1 percent households comprise 13.5 percent of total deductible charitable giving, while the top 1 percent households comprise 24.7 percent in 2005. Therefore, major donors play a critical role in funding nonprofit organizations. Nevertheless, the ratio for high-income persons may be overestimated, because small donations by low-income persons are usually not reported in tax returns under standard deductions.

Among high-income households who give large amounts of donations, donations to private schools, especially private colleges, account for the majority of donations. One possible reason is that some wealthy families in Taiwan continue to have substantial influence on the management of private schools and colleges established by them, and so their donations to these schools not only are subject to their control but also bring them tax savings.

1.5.2.3 The role of financial advisory professionals
The ratio of donations to GDP is about 0.2 percent for Taiwan, which is only one-seventh of the ratio for the United States (Wu, Huang, & Kao, 2004). The relatively limited amount of donations and the less-developed fund-raising
professionalism are two sides of the same coin. On the one hand, the small amount of donations limits the division of labor in the nonprofit sector. For example, a recent survey on 617 nonprofit organizations reveals that more than half of those surveyed do not employ any paid staff, and the median number of paid staffs is only three (Kuan, Duh, & Wang, 2010). On the other hand, a lack of skilled fund-raising professionals in nonprofit organizations also decreases their potential to develop more creative approaches to raising funds.

In recent years, several organizations have begun to coordinate with nonprofit organizations to improve their transparency and training of specialists in marketing and fund-raising.8

1.6 Other relevant characteristics for Taiwan

Several other events in the recent history of Taiwan have notably affected charitable behaviors. First, the repeal of the aforementioned martial law in 1987 marked a turning point for the development of the nonprofit sector in Taiwan, abolishing extensive restrictions on the establishment of civil organizations. As addressed by Andreoni (2007), one challenge for analyses on charitable giving is accounting for charities’ strategic fund-raising activities and donors’ responses. Consequently, the booming nonprofit sector following the lifting of the martial law has diversified fund-raising strategies and remarkably impacted people’s giving behaviors in Taiwan.

Furthermore, Taiwan started its first charitable pari-mutuel lottery on 16 January 2002,9 due to widespread underground lotteries and the need for financial sources to subsidize charities. According to the law, 13.375 percent of the total revenues are allocated to local governments for charitable causes, which includes sponsoring charitable activities and subsidizing charities. From the lottery, the local governments received a total grant of US$483 million (in 2012 US dollars) in 2002. Nevertheless, charitable organizations were concerned about the possible crowding-out effect of individuals’ lottery expenses on charitable giving and local governments’ grants to charities. Peacock (2000) uses the title ‘[c]harity ends with the lottery’ to highlight similar concerns in other countries. However, although some studies find that people’s charitable giving declines with their lottery spending (Peacock, 2000), others find that people’s lottery spending and charitable giving complement each other (Apinunmahakul & Devlin, 2004). Therefore, the impact of individuals’ lottery spending on their charitable giving is generally inclusive (Wu, 2012).

Tax evasion via fake charities has been continually reported in Taiwan. These scandals may tarnish the overall reputation of charities and make it especially difficult to persuade people to donate to new charities that have not yet established a reputation.
2. Explaining philanthropy in Taiwan

2.1 Data and methods

The data analyzed in this study is collected from the 2009 Questionnaire II in Phase5 Wave5 Survey of the research project ‘Taiwan Social Change Survey’ (TSCS). The project was conducted by the Institute of Sociology of Academia Sinica and sponsored by the National Science Council in Taiwan. The TSCS provides insight on long-term trends of social changes through national representative survey data on various topics. Beginning in 1985, this long-term cross-sectional survey has followed five-year cycles, enabling researchers to understand social change in Taiwan from longitudinal perspectives. Topics covered include: economic attitudes, family, political participation, national identity, social networks, mental health, religion, social problems and globalization. With more than 80,000 face-to-face interviews completed over the past 22 years, the TSCS has become the largest survey series among all of the general social surveys in the world.

The fifth phase and fifth wave of Questionnaire II in 2009 focuses on religious and cultural issues. A total of 4,488 people were interviewed in 2009, but only 1,927 completed questionnaires were obtained (43 percent). Most of the survey questions asked for the respondents’ individual-level information though some questions, such as those on income, asked about household income as well as individual income. Some questions specifically related to charitable behaviors, for example, ‘How much money in total did you donate in the past year?’ and ‘Do you donate money regularly or occasionally?’ Although the survey provides information on the amounts of religious giving and secular giving, respectively, it does not provide further information of how many and which charitable subsectors the respondents make donations to. Therefore, we utilize another dataset to analyze more detailed information about the subsectors people make donations to in Section 2.2. Moreover, the survey was based on stratified sampling, and so the regression analyses in Section 2.3 are conducted with weighting.

2.2 Descriptive results

This section applies the data from the 2003 Survey of Social Development Trends (SSDT) in Taiwan. This survey was conducted by Taiwan’s Directorate General of Budget, Accounting and Statistics, Executive Yuan in 2003. It is one of the most complete surveys on donation behavior in Taiwan. Donations are categorized by five types of recipients: charitable, academic, medical, religious and political contributions. The survey collects a nationwide sample of the respondents’ income, money contribution and volunteer work for non-profit organizations, as well as demographic information for 13,000 households including about 40,000 individuals.
Table 26.2 Percentage and average amount donated among population and donors to different charitable sectors in Taiwan in 2003 (SSDT, 2003)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Population (%)</th>
<th>Donors (%)</th>
<th>Average amount (of population, US$)</th>
<th>Average amount (of donors, US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious</td>
<td>11.8</td>
<td>53.8</td>
<td>38</td>
<td>174</td>
</tr>
<tr>
<td>Secular giving</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social service and charity</td>
<td>11.7</td>
<td>53.3</td>
<td>39</td>
<td>178</td>
</tr>
<tr>
<td>Academic and cultural</td>
<td>1.0</td>
<td>4.4</td>
<td>47</td>
<td>215</td>
</tr>
<tr>
<td>Medical</td>
<td>0.7</td>
<td>3.4</td>
<td>30</td>
<td>135</td>
</tr>
<tr>
<td>Political parties and candidates</td>
<td>0.3</td>
<td>1.3</td>
<td>40</td>
<td>181</td>
</tr>
<tr>
<td>Others</td>
<td>0.2</td>
<td>1.0</td>
<td>42</td>
<td>193</td>
</tr>
</tbody>
</table>

Note: The questionnaires are multiple-answer questions. People might make donations to different types of nonprofit organizations.

According to the survey, about 4.97 million people made donations to or purchased charity items from nonprofit sector in 2003, accounting for 22 percent of the entire population. The average giving amount per donor was US$207 (NT$7,192), which is equivalent to 1.6 percent of personal income in 2003.

Table 26.2 displays the percentage and the level of donations made by Taiwanese people to different types of nonprofit organizations. We find that Taiwanese people donate most frequently to organizations active in the religious sector (11.8 percent of population, 53.8 percent of donors). For the secular giving, there was a significant number of people donating to organizations active in social service and charity (11.7 percent of population, 53.3 percent of donors). Donations to the other types of nonprofit organizations are all below 5 percent. However, in terms of the level of donations, people in Taiwan gave the most money to academic and cultural organizations, and gave the least to medical nonprofit organizations.

Table 26.3 provides more information of the giving characteristics of Taiwanese people based on age, gender and employment status in 2003. We find that people aged above 45 tend to make donations frequently to religious groups, and the percentage of donors giving to religious organizations increases monotonically with age. On the other hand, people aged below 45 tend to give their money to organizations active in service activity and charity. In addition, people aged 35 to 64 donated more money, because their incomes are comparably stable; specifically, people aged 45 to 54 donated the most money with an average donation of US$266.9 in 2003.

We also find in 2003 that males tend to give their money to social service and charity organizations (54.4 percent), but females most often donate to religious
Table 26.3  Percentage of donors and average amount donated among donors to different charitable sectors – by age, gender and employment status in Taiwan in 2003 (SSDT, 2003)

<table>
<thead>
<tr>
<th>Age</th>
<th>Average amounts</th>
<th>Service activity and charity (%)</th>
<th>Academic and cultural (%)</th>
<th>Medical (%)</th>
<th>Religious (%)</th>
<th>Political parties and candidates (%)</th>
<th>Others (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–24</td>
<td>(55.0)</td>
<td>66.0</td>
<td>8.4</td>
<td>4.4</td>
<td>30.6</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>(46.4)</td>
<td>(24.8)</td>
<td>(40.7)</td>
<td>(65.6)</td>
<td>(33.8)</td>
<td>(34.1)</td>
<td></td>
</tr>
<tr>
<td>25–34</td>
<td>(130.6)</td>
<td>59.5</td>
<td>2.5</td>
<td>5.0</td>
<td>44.8</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>(113.6)</td>
<td>(100.3)</td>
<td>(122.3)</td>
<td>(116.1)</td>
<td>(201.9)</td>
<td>(128.3)</td>
<td></td>
</tr>
<tr>
<td>35–44</td>
<td>(243.3)</td>
<td>50.7</td>
<td>6.8</td>
<td>3.7</td>
<td>50.4</td>
<td>1.7</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>(212.3)</td>
<td>(216.5)</td>
<td>(134.3)</td>
<td>(194.0)</td>
<td>(144.4)</td>
<td>(92.5)</td>
<td></td>
</tr>
<tr>
<td>45–54</td>
<td>(266.9)</td>
<td>52.8</td>
<td>4.1</td>
<td>2.9</td>
<td>57.4</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>(240.6)</td>
<td>(289.1)</td>
<td>(208.1)</td>
<td>(198.4)</td>
<td>(208.7)</td>
<td>(353.4)</td>
<td></td>
</tr>
<tr>
<td>55–64</td>
<td>(240.2)</td>
<td>45.7</td>
<td>2.4</td>
<td>2.3</td>
<td>65.1</td>
<td>1.4</td>
<td>90.8</td>
</tr>
<tr>
<td></td>
<td>(201.6)</td>
<td>(487.0)</td>
<td>(141.9)</td>
<td>(198.0)</td>
<td>(207.7)</td>
<td>(133.9)</td>
<td></td>
</tr>
<tr>
<td>Above 65</td>
<td>(180.7)</td>
<td>30.1</td>
<td>1.0</td>
<td>1.2</td>
<td>76.4</td>
<td>1.2</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>(150.0)</td>
<td>(450.7)</td>
<td>(62.5)</td>
<td>(165.1)</td>
<td>(211.7)</td>
<td>(188.1)</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>(238.0)</td>
<td>54.4</td>
<td>4.9</td>
<td>3.1</td>
<td>52.4</td>
<td>1.9</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>(201.5)</td>
<td>(315.1)</td>
<td>(163.1)</td>
<td>(193.2)</td>
<td>(210.3)</td>
<td>(208.3)</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>(178.0)</td>
<td>52.3</td>
<td>3.9</td>
<td>3.6</td>
<td>55.2</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>(155.9)</td>
<td>(95.8)</td>
<td>(112.2)</td>
<td>(156.8)</td>
<td>(124.6)</td>
<td>(155.5)</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed</td>
<td>(239.6)</td>
<td>56.4</td>
<td>4.3</td>
<td>3.7</td>
<td>52.2</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>(203.3)</td>
<td>(277.1)</td>
<td>(143.5)</td>
<td>(196.9)</td>
<td>(188.0)</td>
<td>(226.5)</td>
<td></td>
</tr>
<tr>
<td>Unemployed</td>
<td>(136.7)</td>
<td>46.7</td>
<td>4.6</td>
<td>2.7</td>
<td>57.6</td>
<td>1.1</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>(113.2)</td>
<td>(90.5)</td>
<td>(110.0)</td>
<td>(129.0)</td>
<td>(161.4)</td>
<td>(96.6)</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Numbers in parentheses are the average donation amounts in US*. 
groups (55.2 percent). The average donation amounts of males are higher than those of females in every type of nonprofit organization. As expected, unemployed people donate less than those who are employed. The employed tend to donate to social service and charity organizations (56.4 percent) and unemployed people make the highest percentage of donations to religious groups (57.6 percent).

2.3 Explaining philanthropic giving in Taiwan

We use the 2009 TSCS to conduct multivariate regression analyses of people's decisions on giving and amount given. The estimates from the logit model and the Tobit model are listed in Tables 26.4 and 26.5, respectively.

2.3.1 Incidence of giving

We conduct logit regressions of people's decisions to give and list the regression results in Table 26.4. Table 26.4 provides the estimates based on the decision to make any donations, religious donations and secular donations.

As shown in the column of total giving, the decision to make any donations, either religious or secular donations, is mainly affected by an individual's age, education, sex, net-of-tax household income, religious belief, religious attendance and trust toward society. Working-age persons are more likely to donate than younger persons and retired persons. Although people with a tertiary education are more likely to donate than people with a primary education, people with a secondary education do not show a higher tendency to donate than those with a primary education. In general, religious beliefs are more influential than other factors in people's decision to make any donations.

When donations are divided into religious giving and secular giving, we find the determinants of people's tendency to give to religious organizations are somewhat different from those of people's tendency to give to non-religious organizations. In particular, people with religious beliefs are more likely to make religious donations than those without religious beliefs, but the decisions in non-religious giving are not significantly different between those with and without religious beliefs. Compared to people without religious beliefs, Roman Catholics and Protestants have the highest probabilities to donate, as they are 30 percent and 31 percent more likely to make religious donations, respectively, among all religious people.

For religious and secular giving, the effects of age, gender, marital status, household income and trustworthiness on an individual's decision to donate are similar. Previous studies based on Taiwan's other survey data also corroborate that males are less likely to participate in either religious or non-religious giving while those married are more likely to participate in both (Chang, 2005a). However, the present study cannot estimate the effect of home
Table 26.4  Logistic regression analysis of total, religious and secular giving in Taiwan in 2009 (N = 1,912; TSCS, 2009)

<table>
<thead>
<tr>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving$^d$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>S.E.</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.22**</td>
<td>0.24</td>
</tr>
<tr>
<td>Aged under 35</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.59**</td>
<td>0.15</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.38(+)</td>
<td>0.22</td>
</tr>
<tr>
<td>Primary education</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.20</td>
<td>0.16</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.48*</td>
<td>0.20</td>
</tr>
<tr>
<td>Male</td>
<td>-0.46**</td>
<td>0.11</td>
</tr>
<tr>
<td>Married</td>
<td>0.22</td>
<td>0.15</td>
</tr>
<tr>
<td>After-tax household income$^1$</td>
<td>0.17**</td>
<td>0.05</td>
</tr>
<tr>
<td>Not religious</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>1.54**</td>
<td>0.54</td>
</tr>
<tr>
<td>Protestant</td>
<td>1.34**</td>
<td>0.33</td>
</tr>
<tr>
<td>Buddhist</td>
<td>1.06**</td>
<td>0.19</td>
</tr>
<tr>
<td>Taoist</td>
<td>0.61**</td>
<td>0.19</td>
</tr>
<tr>
<td>Folk beliefs</td>
<td>0.50**</td>
<td>0.16</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.38</td>
<td>0.26</td>
</tr>
<tr>
<td>Religious attendance$^2$</td>
<td>0.04**</td>
<td>0.01</td>
</tr>
<tr>
<td>Generalized trust$^3$</td>
<td>0.53**</td>
<td>0.17</td>
</tr>
</tbody>
</table>

Notes: $^1$After-tax household income in amounts of US$10,000 of 2012 US$; $^2$Religious service attendance in times per month; $^3$Scale 0–1; $^d$Secular giving represents all donations to non-religious organizations, which mainly include social service and charity, academic and cultural and medical organizations. The information of home ownership is not available in the survey; **$p \leq 0.01$; *$p \leq 0.05$; (+) $p \leq 0.10$. 
Table 26.5 Tobit regression analyses of the natural log of the total amount donated in Taiwan in 2009 (N = 1,912; TSCS, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \beta )</td>
<td>S.E.</td>
<td>( \beta )</td>
</tr>
<tr>
<td>Aged under 35</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>1.06**</td>
<td>0.19</td>
<td>0.85**</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.83**</td>
<td>0.28</td>
<td>0.56*</td>
</tr>
<tr>
<td>Primary education</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.31</td>
<td>0.21</td>
<td>0.12</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.74**</td>
<td>0.24</td>
<td>0.29</td>
</tr>
<tr>
<td>Male</td>
<td>–0.50**</td>
<td>0.13</td>
<td>–0.48**</td>
</tr>
<tr>
<td>Married</td>
<td>0.33(+)</td>
<td>0.18</td>
<td>0.52**</td>
</tr>
<tr>
<td>After-tax household income¹</td>
<td>0.21**</td>
<td>0.04</td>
<td>0.13**</td>
</tr>
<tr>
<td>Not religious</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>1.57**</td>
<td>0.39</td>
<td>1.71**</td>
</tr>
<tr>
<td>Protestant</td>
<td>1.97**</td>
<td>0.34</td>
<td>2.27**</td>
</tr>
<tr>
<td>Buddhist</td>
<td>1.36**</td>
<td>0.24</td>
<td>1.60**</td>
</tr>
<tr>
<td>Taoist</td>
<td>0.70**</td>
<td>0.26</td>
<td>1.10**</td>
</tr>
<tr>
<td>Folk beliefs</td>
<td>0.55*</td>
<td>0.22</td>
<td>0.89**</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.65(+)</td>
<td>0.34</td>
<td>1.11**</td>
</tr>
<tr>
<td>Religious attendance²</td>
<td>0.05**</td>
<td>0.01</td>
<td>0.06**</td>
</tr>
<tr>
<td>Generalized trust³</td>
<td>0.84**</td>
<td>0.20</td>
<td>0.56**</td>
</tr>
</tbody>
</table>

Notes: ¹After-tax household income in amounts of US$10,000 of 2012 US$; ²Religious service attendance in times per month; ³Scale 0–1; ⁴Secular giving represents all donations to non-religious organizations, which mainly include social service and charity, academic and cultural and medical organizations. The information of home ownership is not available. ** \( p \leq 0.01 \); * \( p \leq 0.05 \); (+) \( p \leq 0.10 \).

ownership on donations, because the TSCS does not provide any information on home ownership.¹²

2.3.2 Amount donated

We analyze how much people decide to donate in this subsection. As for total giving, people’s giving displays an inverted U-shape relationship with their ages and peaks during their working ages. People with a tertiary education generally give more than others, though people with a secondary education do not give more than those with a primary education. Females and those who are married not only have a higher tendency to donate in Taiwan, but also donate in larger amounts. People’s giving increases with their net-of-tax household income. An increase of US$10,000 in net-of-tax household income will raise the amount of donations by 21 percent. Clotfelter (1985) notes that the positive income effect on charitable giving is generally robust for different datasets and model specification choices. Both religious affiliation and religious attendance...
affect the amounts of people’s donations in Taiwan. Protestants make more donations than people of other religious affiliations. Other things being equal, a Protestant’s total donations are 1.97 times greater than a person without any religious beliefs. Moreover, a person who believes that others are trustworthy also makes more donations.

When total giving is grouped into religious giving and secular giving, we find that, with the exception of education, all other factors that influence people’s total giving show similar effects on their religious giving. However, the amounts of religious donations do not vary significantly among people with different education attainments, as the coefficient estimates of education dummies are statistically insignificant.

People aged between 35 and 65 make more secular donations than others. However, people aged over 65 are found not to contribute more to non-religious organizations than people aged below 35, although they make more donations to religious organizations than people aged below 35. As suggested by Chang (2005b), religious giving is closely related to after-life consumption and thus the elderly have an incentive to make religious giving. The 2009 TSCS survey also reveals that the shares of persons with religious beliefs increase with age. The above finding thus implies that the elderly make more donations to religious organizations probably out of their religious beliefs. In contrast to religious giving, education plays a key role in the amount of people’s secular giving in that people’s secular giving increases with their educational attainments. A person with a college degree gives almost double the amount of secular donations as a person with only a primary education. Males are found to donate less than females.

The net-of-tax household income shows a stronger effect on a person’s secular giving than religious giving, implying that, when deciding on the amounts of religious giving, religious people are more concerned about their beliefs and thus less influenced by their income. In general, neither having a religious affiliation nor being affiliated to a particular religion affects their decisions on the amounts of secular donations. The only exception is that Buddhists make larger amounts of donations than people of other religious beliefs or without any religious beliefs. People who attend religious activities more frequently make more donations to religious activities, but not to secular activities, suggesting that the effect of religious attendance on total giving is mainly driven by the effect on religious giving (Chang, 2006).

3. Conclusion

Following fast economic growth in the 1970s and democratization in the 1980s, Taiwan’s nonprofit sector prospered, establishing a number of nonprofit organizations that continues to grow. Moreover, the role of the government in
providing social welfare has become more important, and the share of government expenditure on social welfare has doubled in the past two decades in Taiwan.

Despite the increasing share of government expenditure on social welfare in Taiwan, people have not lowered their donations. We find that individuals’ giving generally increases with their income, religious affiliations, religious attendances and general trustworthiness in a society. Individuals who are female, older and more educated are found to make more donations. If we divide an individual’s giving into religious giving and secular giving, we find that the determinants of these two types of giving are somewhat different. Although both religious giving and secular giving increase with income and trustworthiness in a society, religious giving (but not secular giving) is influenced by whether an individual has religious beliefs and his or her religious attendance. We also find that people making donations to charities and churches outnumber those donating to other nonprofit organizations. Although fewer people make donations to academic and cultural organizations, the average amount of donations to these organizations is the largest among different types of nonprofit organizations.

Recently, the nonprofit sector in Taiwan has fallen under more scrutiny as it increases in importance and receives more donations. The development of the nonprofit sector depends not only on individuals’ altruism and government policies, but also on the credibility of nonprofit organizations. Therefore, the next challenge for nonprofit organizations in Taiwan is to increase financial transparency and administrative effectiveness within the sector. In addition, since different groups of people have different tendencies to give, nonprofit organizations must therefore adopt more flexible fund-raising strategies to successfully solicit donations from targeted groups.

Notes

*Kuang-Ta Lo gratefully acknowledges the financial supports from the National Science Council in Taiwan (NSC-101-2410-H-004-021-MY2).

1. The 921 earthquake measuring 7.3 on the Richter scale happened in Taiwan on September 21, 1999. It was the second-deadliest quake in recorded history in Taiwan, after the Hsinchu-Taichung earthquake in 1935. According to the official report, 2,415 people were killed, 11,305 injured and US$10 billion (NT$300 billion) worth of damage was caused.

2. Typhoon Morakot hit Taiwan in August 2009 and brought torrential rain and high death toll to the region. It produced 2,855 mm of rain and was the deadliest typhoon to impact Taiwan with 619 deaths and 76 missing persons. It also caused 1.59 million residents in Taiwan to lose power and left 769,000 without running water. The total damages amount to US$3.3 billion (NT$110 billion).

3. Furthermore, the data in this study has been converted into US dollars and inflated to 2012 price levels. The exchange rate was around US$1 = NT$33 over
2000–2010. For example, the exchange rate was US$1 = NT$34.418 in 2003. Sources for exchange rates and inflation are http://www.cbc.gov.tw/ and http://www.bls.gov.com/, respectively.

4. Please refer to Section 1.4 for more detailed information regarding the requirements for government-approved nonprofit organizations.

5. The 30-Hour Famine is a World Vision event which aims to raise fund and awareness for the problem of hunger in many developing countries.


7. This ratio is higher than the average ratio of donations to income for all households in Taiwan because itemizing households are usually wealthier and make more donations.

8. For example, the Taiwan NPO Self-Regulation Alliance (http://www.twnpos.org.tw/eng/about.php) and Himalaya Foundation (http://www.himalaya.org.tw/EN/index.asp).

9. A pari-mutuel lottery is a lottery in which winners share the total amount of wagers less a fee for the management.

10. The TSCS survey does not provide information of income taxes. We thus calculate the income taxes by assuming that everyone took standard deductions and those married filed joint tax returns, and we then applied taxable income to the tax schedules.

11. The question on trust is stated as ‘In general, can people be trusted?’ Therefore, based on the distinction between trusting behavior and trustworthy behavior in Glaser, Laibson, Scheinkman and Soutter (2000), the question on trust in the 2009 TSCS generally captures more of people’s perception of general trustworthiness than trusting behaviors.

12. Nevertheless, Chang (2005a) finds that people with houses are more likely to make any type of donations, either religious or secular donations, than those without. However, he also notes that people with houses make less religious giving than those without.

References


Peacock, M.S. (2000). Charity ends with the lottery: It ain’t what you give, it’s the way that you give it. *New Economy, 7*(2), pp. 120–123.


Giving in Vietnam: A Nascent Third Sector with Potential for Growth

Phuong Anh Nguyen and Dana R.H. Doan

1. The philanthropic landscape

1.1 History

Mutual assistance and charitable acts in times of need is a Vietnamese tradition, passed from generation to generation. Popular Vietnamese proverbs remind citizens of their responsibility to the community, such as ‘If you see the poor, give them compassion. Offer warm clothes to those battling in the cold and food to people who are hungry.’ The first recorded policies encouraging philanthropy date back to the 15th century, when King Le Thanh Tong reduced the paddy tax on wealthy families for their assistance to the poor. Later, the Nguyen Dynasty promoted compassion funds to help poor families suffering from famine or crop failures. Some early philanthropists were even rewarded with memorials or political positions by Vietnam’s monarchy (Nguyen-Marshall, 2008). The tradition of giving since then has remained alive and a part of everyday life and culture in Vietnamese society.

In 1986, Vietnam implemented a policy of reform (‘Doi moi’) and later joined the World Trade Organization in 2007, expanding foreign investment and international exchanges with North America, Europe and Asia. As a result, Vietnam gained exposure to international business practices, including corporate social responsibility, corporate giving and sustainability standards. Along with steady economic development, corporate giving increased along with the number of domestic and international nonprofit organizations operating in Vietnam. While the government is perceived to be in charge and responsible for social welfare and development in Vietnam, more individuals, groups of individuals and organizations are getting involved to fill gaps in service, alleviate the suffering of others and respond to issues resulting from rapid economic growth and natural disasters. Although government agencies and mass organizations remain key intermediaries for giving, the media, corporate
foundations, faith-based organizations, local and international nonprofit organizations demonstrate an increasing ability to mobilize funds to help address the needs of the people and communities in Vietnam.

In 2010, the World Bank determined that Vietnam achieved low, middle-income country status, based on the country’s Gross National Income per capita exceeding US$1,036. With this new status, several international and bilateral donors announced plans to gradually decrease their development assistance to Vietnam, despite the fact that Vietnam continues to face existing and new development challenges – from climate change and clean water access to migration and rising inequality. While the incidence of domestic giving is already high in Vietnam (82 percent), the sums are small and the frequency is low, suggesting great potential for growth (CIMIGO, 2012).

1.2 Size and scope of the nonprofit sector in Vietnam

A complex history and regulatory environment has made it challenging to define the nonprofit sector in Vietnam, which is comprised of organizations that differ greatly in size and organizational structures. Vietnamese law does not use or define the terms ‘Not-for-Profit Organization’ (NPO), NGO or any related term as a classifier for organizations. Consequently, NPOs do not enjoy a fully unified legal and regulatory scheme. The NPO spectrum includes party-related mass organizations, business, trade and professional associations (or socio-professional associations), policy research groups, social activist and social service groups, religious groups, clans, charities, private and semi-private universities, social and charitable funds, international NGOs (INGOs) and other institutions (Bui, 2013). Dominating the scene are mass organizations, such as the Fatherland Front, Women’s Union, Youth Union and Farmers’ Union, which operate through extensive networks with large memberships that span all levels of government. In recent years, independent NPOs have emerged in order to meet social needs unmet by state programs or local agencies. These include social relief organizations, social and charitable funds, associations, scientific and technological organizations and INGOs (Russin & Vecchi, 2012). Together, these organizations work to address the social challenges facing Vietnam, a country of over 88.7 million people with social expenditures by the government amounting to 9.4 percent of GDP, of which expenditures on education and health are 6.4 percent (Ministry of Foreign Affairs, n.d.).

It is difficult to estimate the number of NPOs operating in Vietnam as available statistics often conflict. As of 2012, Vietnam had a ‘relationship’ with approximately 900 INGOs, which spent over US$2 billion in Vietnam from 1989 to 2010. Associations registered under local governments grew rapidly, from 1,400 in 2001 to nearly 15,000 in 2010. Reports indicate that there are several thousand associations at the national and provincial levels, well over one thousand funds and foundations and tens of thousands of NPOs in various
forms at the local level, including cooperatives, clubs, local community-based groups and associations and other forms of association at the grassroots levels (Sidel & Nguyen, 2012).

Using the classification of Salamon and Anheier (1998), the relationship between the government and the state in Vietnam can be classified using the statist model, in which there is limited public social-welfare protection and a small nonprofit sector. In this model, ‘the development of nonprofit organizations independent of state control is stymied to preempt possible challenges to the state’s hegemony.’ The relationship between the state and civil society in Vietnam, while limited, appears to be evolving:

Vietnam’s authoritarian state, which once attempted to annul civil society in its efforts to dominate every aspect of society, has now accepted aspects of civil society. Civil society has been ‘tolerated’, ‘endorsed’, or recognized by the party-state and fills a gap, playing a role in the governance network and national development. In practice, while still viewing it with suspicion, the Communist Party of Vietnam (CPV) has accepted the challenge to steer the market economy and civil society to pursue development goals. In that context, various forms of ‘civil society’ exist and perform a role which the CPV finds useful for societal control alongside other types of organization, particularly the mass organizations.

(Bui, 2013)

1.3 Government policy in the nonprofit sector

1.3.1 Government support

Mass organizations and most professional associations are wholly subsidized by the state, although they also raise funds for specific projects from companies, aid organizations and individuals. While there are indications that the government would like to reduce or eliminate funding to at least some professional associations, current support remains unchanged. With regards to other NPOs, little is known about support coming from local and national governments. Those with proper legal status to operate are eligible to receive financial support from the government. However, existing data suggests that NPOs receiving support from the government are likely to have stronger links to the government.³

The situation described above may be changing, particularly as INGOs and overseas development aid (ODA) partners have announced their intentions to dramatically reduce funding to Vietnam by 2015. Though unwelcome, this situation may foster an improved framework for philanthropy and NPO activities. In December 2012, the Ministry of Planning and Investment (MPI) issued a decision announcing greater collaboration with development partners,
including NPOs and support for a civil society organization resource center. MPI’s External Economic Department Director explained:

The Government will…widens participation of the private sector, civil organisations, non-governmental organisations and domestic academics…These relationships will help shift the focus from aid effectiveness to development effectiveness in order to ensure cohesion and value for partners.

(VCCI, 2012)

While the government continues to assume responsibility for the provision of most public goods and services, the space for non-governmental NPOs to address outstanding needs appears to be increasing as foreign and state funds and activities prove unable to sufficiently address increasingly complex societal challenges. Nevertheless, it remains to be seen whether such developments will translate to direct subsidies or other support from the Government and Party.

1.3.2 Fiscal incentives

In Vietnam, tax policy is one area where the government has set out to proactively stimulate philanthropy. Both the 2008 Personal Income Tax Law (PIT, 2008) and the 2009 Corporate Income Tax Law (CIT, 2009) introduced tax preferences on income derived from or applied to various kinds of humanitarian and social purposes. Meanwhile, NPOs are afforded limited tax incentives and preferences, including legislation dealing with value added tax (VAT), provided such revenues are not derived from business or commerce (USIG, 2012).

The PIT introduced deductions for individual contributions to two types of NPOs: social relief establishments (under Decree 68/2008/ND-CP) and social and charitable funds (under Decree 30/2012/ND-CP). Individual contributions to other NPOs and INGOs are not eligible for such deductions. The maximum amount of deductions shall not exceed tax-assessable income from business income and income being salary of the year in which such contributions were made. Income tax levels range from 5 percent (for monthly incomes under US$240) and 35 percent (for monthly incomes over US$3,800).

Before the 2009 CIT came into effect, corporations could only deduct philanthropic contributions to ‘specified public education and vocational training projects’ in Vietnam. The 2009 CIT Law, however, introduced the following four types of incentives for philanthropic companies:

- **Tax-exempt income** designated for educational, scientific research, cultural, artistic, charitable, humanitarian and other social activities in Vietnam.\(^4\)
- **Income tax incentives** for companies that employ 51 percent or more staff who are living with disabilities, reformed drug addicts and/or infected with HIV/AIDS.
• **Tax exemptions** on income earned from occupational training activities for ethnic minority people, people living with disabilities, reformed offenders and ‘children living in particularly difficult conditions.’

• **Deductible expenses** including ‘financial aid for education, health care, to overcome the consequences of a natural disaster and/or aid to build a charitable home for poor people.’ In order to be eligible for a deduction, contributions must be made to an ‘authorized entity.’

To date, there is no data on the impact of preferential tax policies in Vietnam. Individuals and company representatives appear to be unclear about tax benefits for philanthropic activities, as they are wary of the paperwork required to realize incentives due and/or doubtful that such benefits would help their business or associated charitable activities (LIN, 2009; TAF, 2011). Meanwhile, recent surveys (TAF, 2011; CIMIGO, 2012) conducted on both individuals and corporations in Vietnam, revealed considerable, untapped potential in terms of capacity for giving.

Most NPOs enjoy special income tax incentives and do not pay tax on income received from the government or from local or foreign contributions that is ‘used for educational, scientific research, cultural, artistic, charitable, humanitarian and other social activities in Vietnam.’ In addition, goods imported as humanitarian aid, non-refundable aid, gifts and presents that NPOs and INGOs receive from foreign donors are generally exempted from VAT and other indirect taxes at the import stage. Goods and services as well as monetary aid from foreign donors to buy goods for use in humanitarian activities are generally not subject to VAT. Personal income tax on INGO expatriate representatives, staff and specialists are subject to the PIT law. INGOs with Representative or Project Office status are exempt if detailed in the official Memoranda of Understanding.

### 1.4 Regulation of the nonprofit sector

Several different ministries and intra-ministry committees are involved in the regulation of NPOs and INGOs in Vietnam. International NGOs are regulated by The People’s Aid Coordinating Committee (PACCOM), Committee for Foreign NGO Affairs (COMINGO) and Vietnam Union of Friendship Organization’s (VUFO-NGO Resource Centre Vietnam, n.d; Norlund, 2007). PACCOM is responsible for registrations, renewals and amendments of all INGO operating certificates. Meanwhile, depending on its form of establishment (e.g., association, foundation, social relief establishment or science and technology association) a local NPO may ultimately be regulated by at least one of four ministries: the Ministry of Home Affairs, the Ministry of Labor, Invalids and Social Affairs, the Ministry of Science & Technology, and/or the Ministry of Culture, Sports and Tourism. NPOs in Vietnam also exist in the forms of voluntary groups and clubs, which perform various charitable and nonprofit functions.
but are not formally organized under the law. Vietnamese law is generally silent on specific provisions applicable to these informal NPOs (YKVN & LIN, 2012).

In terms of management and operations, NPOs operate under a vast array of laws and regulations, some specifically pertaining to NPOs and others applying to NPOs indirectly. While the government has promulgated a number of new laws relating to NPOs, the current legal framework is not sufficiently comprehensive or facilitating for effective NPO operations. For example, Decree 93/ND-CP/2009, which seeks to oversee foreign funding to NPOs, requires that recipient organizations submit paperwork to request preapproval and official approval in order to receive and utilize funds; later, they must complete government-supplied report templates on such funds every six months while in use and once again upon project completion. Moreover, Vietnamese law does not define ‘fund-raising activities’ or provide detailed guidance on legally permissible forms of fund-raising by NPOs. As a consequence, some common NPO fund-raising activities would fall in the category of legal ambiguity – such as fund-raising campaigns – or even legal risk – such as organizing an event or selling T-shirts to raise funds (YKVN & LIN, 2013).

Legislators continue to debate ways to simplify and clarify guidelines for the establishment and operation of Vietnamese NPOs. As a result, NPOs operate in an uncertain environment and depend on project-based funding, institutional experience and personal networks to pursue their objectives.

1.5 Culture

1.5.1 Religion

The earliest established religions in Vietnam were Mahayana Buddhism, Confucianism and Taoism, which emerged in the wake of Chinese occupation of the country (111 BC to 939 AD) According to a 2010 survey on global religion, most Vietnamese practice indigenous religions, worshiping local spirits, gods and mother goddesses (45.3 percent), which experienced a revival after the 1986 reforms. Buddhism is the second-most practiced religion (16.4 percent), followed by Christianity (8.7 percent, mostly Catholics) and 30 percent are religiously unaffiliated. Caodaism and Hoa Hao are other popular religions in Vietnam; meanwhile, Hinduism, Islam and Protestantism exist but are practiced by relatively few (Pew Research Center, 2012).

There is no State church or temple in Vietnam. Religious freedom is recognized by the 1992 Constitution, which states that religion may not contravene the law and State policies. A larger number of religious organizations are now recognized by the State. In addition to the number of organizations, also increasing are the number of followers, dignitaries, places of worship, Bible and book publications and activities permitted by charter, statute, and religious rule and law (VTV4, 2011).
Religion plays a role in Vietnamese philanthropy. Along with expanded religious freedom following the reforms of 1986, faith-based philanthropic activities increased, such as charity kitchens, charity clinics, orphanages and shelters. Activities supporting victims of natural disaster or misfortune and enhancing public infrastructure – such as building bridges and roads in rural areas – are commonly carried out by religious groups in the spirit of ‘compassion’, ‘charity’ and ‘saving people.’ Such contributions are rarely systematic or well structured.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

There is no association for fund-raising organizations, no codes of conduct and little regulatory guidance with regards to fund-raising and grant-making. Only a handful of NPOs employ professional fund-raising staff, full or part-time. Instead, such roles tend to be seen as an add-on task for managers and program officers or the responsibility of volunteers.

Currently, key sources of funding for charitable and development activities in Vietnam include private citizen contributions, family donations to and volunteerism in community-based organizations located in the countryside, remittances from overseas Vietnamese living abroad, corporations and foreign funding from bilateral, multilateral, nongovernmental and private voluntary sources. In addition, NPOs raise funds from central and local government projects as well as merchandise sales and service fees (TAF, 2012).

Vietnamese law provides broad rules that establish activities NPOs are allowed to conduct and controls the flow of funds to these organizations. In general, legally established NPOs have the right to receive funds from their members, domestic and foreign organizations and individuals (YKVN & LIN, 2012). However, there is no guidance for fund-raising by individuals or volunteer groups.

In order to hold a fund-raising event in Vietnam, a licensed organization must apply for a permit and obtain approval from relevant authorities. Depending on the type of event, an organization might require permits from up to four different ministries (YKVN & LIN, 2012). Like other cultural activities in Vietnam, events involving art performances, fashion shows, sporting events and festivals are all subject to Vietnam’s regulatory regimes applicable to such activities.

While data on funds raised and fund-raising costs are not publicly available in Vietnam, the government requires recipient organizations to report on all foreign funds entering the country for charitable or humanitarian purposes. Such reports are not disseminated publicly, unless the recipient organization does so voluntarily. Given that NPOs are not required to report on funds raised from domestic sources, such data is difficult to access.
Philanthropic giving in Vietnam is primarily stimulated through religious and mass organizations, which run campaigns and make regular appeals to the public to support various disadvantaged groups (TAF, 2012). Typical solicitation methods employed by NPOs are door-to-door solicitation, gala events, TV shows and sporting events. In addition, local news media and social networking websites have effectively mobilized individual giving, particularly among urban residents, by highlighting opportunities to alleviate the suffering of others, particularly victims of natural disasters or misfortune (TAF, 2012). Although less common, peer and government pressure play a role in successfully soliciting donations in Vietnam.12

Emerging strategies to facilitate giving among a broader cross section of philanthropists are being introduced in Vietnam. For example, **Phụ Sản Yêu Thương** (launched in 2012) provides a platform for participating NPOs to receive donations, as small as US$0.05, via mobile phone. **The Smiles Card** (launched in 2013) is a customer loyalty program whereby cardholders accumulate points with every purchase while contributing 10 percent to pre-selected charity organizations.

**1.5.2.2 Major donors**

Outside of large donations from overseas development aid to Vietnam, few facts are known about domestic major donors – who they are, what causes they support and what strategies guide their giving.13 Most donors and NPOs operating in Vietnam do not report publicly on their exchange of funds. While some Vietnamese donors welcome the media and public attention, a larger number prefer to remain anonymous.

Recent reports indicate that there are over a thousand domestic funds and foundations operating in Vietnam, most of which were established by associations, companies, high-profile individuals and current or former government officials (Sidel & Nguyen, 2012). In 2008, it was reported that Vietnam had 1,200 high net worth individuals (HNWI), with assets over US$1 million (Monsters & Critics, 2008). That population is said to have increased by over 33 percent in 2010 (Merrill Lynch, 2011). Although many wealthy individuals, families and celebrities engage in philanthropy in Vietnam, few have a set strategy for their giving. Meanwhile, it is difficult to distinguish between philanthropy originating from wealthy individuals or locally owned companies as the two tend to be intertwined.

With some notable exceptions, there is little professionalization and institutionalization of philanthropy in Vietnam. A lack of transparency and sharing of information among institutional and individual philanthropists make it difficult to surmise the amount, cause and impact of large donations to date.
1.5.2.3 The role of financial advisory professionals
While larger amounts of philanthropy are being more readily made within the
community, there is a lack of resources and information to assist donors in
deciding where and how best to invest those resources. Vietnam does not yet
have a developed professional philanthropic advisory sector. Financial insti-
tutions and wealth management firms operating in Vietnam do not include
philanthropic advice in their advertised portfolios of services offered to those
with substantial financial means. However, regional offices of firms operating
in Vietnam are beginning to offer such services, foreshadowing possible growth
in services offered in the near future.

Surveys, experiences and recent scandals all reveal a clear need for education
and capacity building on strategic philanthropy. However, few resources exist
for philanthropic individuals and institutions to share their best practices with
each other. Additionally, a limited number of qualified individuals in Vietnam
are available to offer advice to Vietnamese philanthropists. Finally, although
there may be a need and demand, recent attempts do not confirm a willingness
to pay for philanthropy advisory services.

Currently, there are three organizations located in Vietnam that offer
limited philanthropy advisory services: Give2Asia, LIN Center for Commu-
nity Development and WISE Philanthropy Advisors. Furthermore, some law
firms and accounting firms support philanthropic initiatives on an ad hoc
basis, such as undertaking pro bono projects or contributing to efforts that
build awareness about existing guidelines and procedures. In Singapore,
Hong Kong and the United States there are individuals, consultancy firms
and financial institutions marketing their capacity to advise on philanthropy
in the region. These advisors work on engagements in Vietnam only when
requested.

To date, there is no directory of philanthropy advisors with experience in
Vietnam that provides ease of access to such services.

1.6 Other relevant characteristics for Vietnam
1.6.1 Booming volunteerism
Increasingly, individuals and companies are offering their time and services
to NPOs. Social media has played a role in this trend by spreading the word
and mobilizing people to action, particularly Vietnamese youth. Employee
volunteering is gaining in popularity in Vietnam as companies see benefits
for themselves as they ‘do good.’ In light of the economic downturn and
constrained budgets, volunteerism becomes a great way for individuals and
companies to continue their support to NPOs. Moreover, volunteers poten-
tially also build the capacity of NPOs. An increase in volunteers seeking to
support NPOs presents an opportunity for intermediary services that facilitate volunteer–NPO matchmaking.

1.6.2 Philanthropic investment in NPOs

Though there are many challenges to developing a much larger, more effective philanthropic sector, there is an urgent need for more effective, scalable and transparent NPOs that are experience and committed to their causes. Philanthropists can play an important role in building the capacity of Vietnamese NPOs if they are willing to invest in their people and organizations. Capacity building of NPOs is needed both to instill trust and to allow for increased levels of giving. However, as in many other countries, there is deep reluctance to invest in operational costs and NPO staff. The cycle of underinvesting and undervaluing NPO talent, and the structures that support high-quality NPO operations (such as research, project design, implementation, monitoring and evaluation and reporting) threaten the sector and its potential impacts.

1.6.3 A new form of diaspora giving

History and tradition reflect a willingness among overseas Vietnamese to send money back to their home country. As overseas Vietnamese achieve greater financial stability and make more frequent trips back to Vietnam, some – particularly the second generation – have moved toward collective rather than individual remittance giving. Overseas Vietnamese charitable giving for apolitical humanitarian causes in Vietnam is now widespread (Truong, Small, & Vuong, 2008). An increasingly well-to-do Vietnamese Diaspora, therefore, presents potential for further philanthropic investment into Vietnam.

1.6.4 Vietnamese people driving Vietnam’s development

A rising middle class, combined with growing investment by companies dedicated to Vietnam’s economic and social development, presents a largely untapped source of potential giving. Meanwhile, the threat of decline in foreign contributions pressures local individuals and companies to fill the gap left behind. The potential upside to this trend is that, by increasing domestic engagement in community development, NPOs will have added pressure to become more accountable to the local people. As a result, they will become more professional, as local donors will be better able to observe and expect results and greater transparency before giving. While it is expected that foreign aid will continue, the professionalization of local donors and NPOs will ensure that local people are not only involved but also truly driving Vietnam’s development.
2. Conclusion

With some tens of thousands registered NPOs operating at the national and local levels across the country of nearly 90 million people, the third sector in Vietnam is still struggling to define its place in the social and economic life of the nation. Having limited support from the government, both in terms of funding and regulation, NPOs in Vietnam have relied heavily on foreign aid. Private philanthropy, though modest, presents great potential for growth given the country’s philanthropic traditions. Nevertheless, at least three factors will need to be addressed in order to unlock such potential. First, the current lack of transparency inhibits trust, which hinders the giving of individuals and corporations who might otherwise give or give more (TAF, 2011; CIMIGO, 2012). Second, an enabling environment for philanthropy and nonprofit organizations is needed to support strategic initiatives that focus on solving problems rather than offering short-term assistance. This will require donor education and governmental support. Third, resources to build the capacity of donors and nonprofit organizations can help to ensure greater effectiveness and transparency.

With or without foreign aid, giving that focuses on long-term development, rather than short-term solutions, will require improved understanding, commitment, capacity and collaboration across sectors in order to ensure effective, equitable and sustainable development in Vietnam.

Notes

1. Unlicensed volunteer groups do not have legal status in Vietnam and are thus not included in this analysis.
2. Some INGOs may have conducted only one activity or delivered a single shipment of humanitarian assistance. Thus, the total number of INGOs, which established office, registered presence and/or employed staff on the ground is, most likely lower than this number (VUFO-NGO Resource Centre Vietnam, n.d.).
3. ‘Half of the [NPOs] in HCMC have no contact with central ministries compared to 26 per cent in Hanoi. Only 32 per cent of [NPOs] in HCMC perceived relationships with the central government as helpful, whereas 54 per cent of organizations in Hanoi do.’ (TAF, 2012, p. 23).
4. CIT Law (effective January 2009) – Article 4, paragraph 7. Circular 130 goes on to explain that recipients of such aid funds must be established organizations, operating in accordance with the law. If the funds are not used for the correct purpose, the aid recipient will be required to pay CIT at the rate of 25 percent of the amount not used for the correct purpose.
5. CIT Law (effective January 2009) – Article 4, paragraph 5. Circular 130 includes the following caveat: if an occupational training establishment has other students, then the part of income exempt from tax shall be a ratio of the number of people in the categories described above over the total number of students.
6. To date, there is no detailed guidance on what an authorized entity might be aside from public schools, approved private schools, medical health care organizations and entities authorized to raise funds for student scholarships, medical patients, victims of natural disaster and/or poor people. Social relief establishments (Decree 68), social and charitable funds (Decree 30) are the only non-governmental NPOs that have legal regulations providing authorization to mobilize funds. One would assume that public institutions and mass organizations (e.g., Vietnam Fatherland Front, Red Cross, Women’s Union) would also be eligible.


10. Foundations, associations and faith-based organizations are all under the Ministry of Home Affairs; social relief establishments are under the Ministry of Labour, Invalids and Social Affairs; science and technology organizations fall under the Ministry of Science and Technology; and galleries fall under the Ministry of Culture, Sports and Tourism. Additionally, any NPO receiving funding from overseas would also be regulated by the Ministry of Planning and Investment.


12. In a 2011 survey, 9 percent of urban respondents confirmed the existence of compulsory giving (TAF, p. 23). Anecdotal information; however, suggests these numbers are low. Reported examples of compulsory giving in Vietnam include: (1) government employees required to contribute to charity campaigns operated by government or mass organizations; (2) local branches of mass organizations visit households in their communities to ‘request’ contributions to charity campaigns; (3) private businesses regularly visited by local police chief or local leaders requesting contributions to charity campaigns; (4) on an annual or biannual basis, local community members ‘asked’ to contribute money to support local guards, fireman, military, charity causes.

13. Disbursed ODA funds to Vietnam in 2011 amounted to over US$3.6 billion (less than half of the amount committed) (Vietnamnet Bridge, 2011). Funds committed at the end of 2012 totaled US$6.5 billion (a decrease of US$900 million from the previous year).

14. For example, ABN Amro, Charities Aid Foundation SEAsia, Coutts, CSR-Asia, HSBC, Kordant Philanthropy Advisors and Rockefeller Philanthropy Advisors, Synergy Social Ventures and UBS (2011).

Bibliography


Giving in Australia: Philanthropic Potential Beginning to Be Realized

Wendy Scaife, Katie McDonald, Alexandra Williamson and Valérie Mossel

1. The philanthropic landscape

1.1 History

Australia in a sense has two histories: that of its indigenous Aboriginal and Torres Strait Islander people based on a traditional culture of mutual dependence and reciprocal altruism (Turner, 1981) and the other from its 18th-century colonization as a British penal outpost. These colonial overtones have proved an abiding cultural force. A dominant government presence, British legal platform and ongoing sense that ‘the government will provide’ remain today (Liffman, 2008; McDonald & Scaife, 2011).

European settlement heralded a British style of charity. Churches conducted social work, as did institutions such as the Benevolent Society, Australia’s oldest existing charity, formed in 1813. However, as O’Brien (2008) highlights, the government often partnered with these charitable efforts, making them into government-funded hybrids.

Wider charitable giving till this time was mainly of a low level and informal. However, some large-scale philanthropy was practiced by citizens who had built their fortunes in the new land and followed the ‘with wealth comes obligation’ tenet of the Victorian era. For example, in 1881, Dr. William Wyatt established the Wyatt Benevolent Institution in South Australia. Confectionary supremo Sir MacPherson Robertson also launched philanthropic initiatives, encouraging fellow affluent citizens and industrialists to set up philanthropic trusts and foundations. In Robertson’s home state of Victoria, as Johnson (2010) reports, the Victorian Administration and Probate Act of 1907 (amended in 1915 and 1951) offered tax incentives in the form of deductible death duties if people established a charitable foundation in their will. Other states at the time also had death duties but no such incentive. Hence, until the advent of a new philanthropic form in 2001 (the Prescribed Private Fund [PPF], now the Private...
Ancillary Fund [PAF]), some 80 percent of Australia’s philanthropic foundations were in Victoria and largely even today are set up to give only to that state (Industry Commission, 1995).

Charities, often religious based, remained primary in helping the disadvantaged till post-World War II times, when the national government assumed an even stronger role in social services, subsidising existing charities at regional and state levels. The strong economy also fostered the advent of fund-raising organizations. Direct mail appeals began to flow to an increasingly prosperous middle class, and precursor organizations to today’s Fundraising Institute Australia and Philanthropy Australia were established in 1969 and 1977, respectively.

In the late 1990s, the Australian government signaled its limitations in meeting the gamut of social needs. Subsidies moved to contracts and contributions rather than cost coverage. While in office, the Howard government established the Prime Minister’s Business and Community Partnership to promote a sense of ‘mutual obligation’ and create a policy platform to increase philanthropy and volunteering across individual and corporate sources (Madden & Scaife, 2010). Workplace, cultural and environmental giving incentives emerged along with introduction of the PPF structure (now PAF) in 2001, which streamlined foundation establishment and set minimum distribution levels. Approximately 1,000 PAFs existed in Australia as of June 2012.

1.2 Size and scope of the nonprofit sector in Australia

Australia’s population at the end of 2012 was 22.9 million (Australian Bureau of Statistics, 2013). For international comparison purposes, as of June 2007, 41,008 nonprofit organizations (NPOs) were registered with the Australian Taxation Office (ATO). This number excludes the many micro unincorporated nonprofit organizations without an Australian Business Number (ABN), which the Productivity Commission Report into the Contribution of the Nonprofit Sector (2010) estimated to be 600,000 organizations in 2006–2007. Of the ATO-registered nonprofit organizations, the largest group was religious organizations at 21.4 percent (8,786) followed by culture and recreation organizations at 20.1 percent (8,258).

Tax concession charities continue to grow, with 55,039 registered by 2010, and health and environment causes showing a particular increase.

The level of public expenditure in Australia in 2007 was 16.0 percent of Gross Domestic Product (OECD), making Australia 26th of the 34 countries ranked by the OECD in descending expenditure order. Australia’s large and diverse nonprofit sector has developed for social as well as economic reasons (Lyons, 1993). Nonprofits complement or supplement government service provision at less expense (Salamon, Hems, & Chinnock, 2000). They are seen as experimenting with new ways of tackling social ills, advocating for change
and providing services to neglected or disadvantaged communities or individuals. Using Salamon and Anheier’s (1998) nonprofit sector classification system, Australia falls into the category of a liberal nonprofit system, characterized by relatively low government funding and a large nonprofit sector.

1.3 Government policy in the nonprofit sector

1.3.1 Government support

In the year ending on June 30, 2007, the largest source of funding for all nonprofits was the government (federal, state and local) at 33.5 percent of all income. However, this funding was largely directed to education, research and social service organizations. Income from services was the second largest income stream across Australian nonprofits at 29.9 percent. Funding from this source was predominantly earned by culture and recreation as well as education and research organizations (Australian Bureau of Statistics, 2007).

1.3.2 Fiscal incentives

Australia as a federation of states and territories has a divided tax regime. The federal government collects income tax, capital gains tax, company tax, excise duties and a broad-based goods and services tax (10 percent). The goods and services tax revenue is distributed to the states and territories. The states also levy taxes on property, payrolls and stamp duties. Income tax on personal income is a progressive tax with a tax free threshold of AU$18,200 (US$18,570),¹ and the highest marginal rate for individuals is 45 percent. Company tax is a flat 30 percent with a dividend imputation system. Australia’s tax-to-GDP ratio is low by international standards. In 2010 (Australia’s 2010–2011 financial year), Australia had the fifth lowest tax burden of the OECD countries.

Tax-deductible donations can be made only to a narrow class of charities called deductible gift recipients (DGRs), but a 100 percent tax deduction is available for such donations. Deductible gift recipient status is generally restricted to organizations working in education, health and poverty relief, yet additional ‘named’ institutions in the fields of arts and culture and the environment can receive DGR status. Philanthropy Australia, the peak membership body for grant-making trusts and foundations in Australia, is also named as a DGR. While churches are exempt from income tax because they fall within the categorization of charitable organizations, donations for religious purposes are not tax deductible in Australia.

Only a limited range of tax-effective giving products are available in Australia. For instance, charitable remainder trusts and annuities are not available (Wymer, Scaife, & McDonald, 2012). Key advances around the turn of the millennium were a tax-effective form of charitable trust (PAFs); immediate tax relief
for workplace giving rather than waiting for a refund at the close of the tax year; incentives to give beyond money, particularly collections (for museums or art galleries) and land tracts for environmental benefit; and the averaging of tax deductions over five years of income.

In the 2010–2011 Australian financial year (the most recent for which data is available), some 4.79 million individual taxpayers (or 37.93 percent of the Australian taxpaying population) made and claimed tax-deductible donations, totalling AU$2.21 billion (US$2.36 billion) – an average of AU$461.47 (US$492.68) per individual. These figures represent a slight increase from the previous year and are a continuation of long-term trends, as the average amount has nearly trebled in the past decade (McGregor-Lowndes & Pelling, 2013).

1.4 Regulation of the nonprofit sector

The Productivity Commission Report into the Contribution of the Nonprofit Sector (2010, p. 113) described the NPO regulatory environment as ‘characterised by uncoordinated regimes at the Commonwealth and state/territory levels.’ This scenario has imposed significant reporting and administrative burdens on nonprofit organizations. A large number of enquiries and reviews over the past two decades have identified many concerns; however, few, if any, of their recommendations have been implemented to date.

With the 2007 change of Federal Government to the Australian Labor Party, a Parliamentary Secretary for Social Inclusion was appointed with the goals of making the nation’s first Social Compact with the nonprofit sector and legislative reform for greater NPO transparency and accountability (Madden & Scaife, 2010).

However, the most significant nonprofit regulatory change was the establishment of the Australian Charities and Not-for-Profits Commission (the ACNC). Beginning in late 2012, the ACNC became responsible for the registering and reporting of legally charitable entities. Charities registered with the ACNC receive a registration certificate, yet these certificates have not been used by charities in their fund-raising materials to date.

Further regulatory changes have been proposed by the Not-for-Profit Sector Reform Council established by the Federal Treasury. Released in late 2012, these reform recommendations span many topics including additional tax reform. National harmonization of fund-raising regulations is also on the agenda; this reform would require national charities to register separately in the Australian jurisdiction in which they operate. With only one exception, all states and territories have their own requirements, which are ‘replete with idiosyncratic exemptions’ (McGregor-Lowndes, 2012), and do not support social media or online fund-raising.
1.5 Culture

With a welfare state philosophy, a cultural disposition toward privacy, and a reluctance to celebrate wealth or individual achievement, Australia arguably does not have a strong culture of philanthropy (Leat, 2004; Liffman, 2008; McDonald & Scaife, 2011; Scaife, McDonald, & Smyllie, 2011). However, it does have a strong ethos of generosity and 'mateship.' In the colonial era, early (European) Australians worked as wage laborers, and a strong sense of mateship developed in the harsh conditions (Teo & White, 2003). The notion of egalitarianism is embedded in Australia's national ethos (Ward, 1958; Teo & White, 2003). This is most evident in times of natural disasters, when Australians exhibit a remarkable spirit of generosity. For example, during the 2004 Asian Tsunami relief efforts, the Australian public donated over AU$360 million (US$326 million), a sum far exceeding expectations (Downer, 2006). Critically, this generosity in monetary terms is short-lived and not sustained year-round or directed to disaster prevention. Internationally, the Charities Aid Foundation's (CAF) World Giving Index (2011) cites Australia and New Zealand as the world's most giving nations after taking into account the combined measures of giving money, volunteering time and helping a stranger.

1.5.1 Religion

The Australian Bureau of Statistics 2006 Census of Population and Housing used the Australian Standard Classification of Religious Groups (ASCRG second edition) to code religious affiliation. The 2006 Census data showed Christianity as the dominant religion in Australia, with 64 percent reporting that they identify themselves as Christian. The most common Christian denominations are Catholic at 26 percent and Anglican at 19 percent. The three most common non-Christian faiths were Buddhism (2.1 percent), Islam (1.7 percent) and Hinduism (0.7 percent). Some 19 percent of all Australians state that they have no religion (Australian Bureau of Statistics, 2007).

People who regularly attend religious services (as a subgroup of those who self-identify as having a religion) give both more and more often to charities than people who do not attend (Lyons & Nivison-Smith, 2006).

Australia has no state church and no state church tax. The Australian Constitution asserts in Section 116: 'The Commonwealth shall not make any law for establishing any religion, or for imposing any religious observance, or for prohibiting the free exercise of any religion, and no religious test shall be required as a qualification for any office or public trust under the Commonwealth' (Commonwealth of Australia, 1900). However, the preamble to the Constitution contains a reference to Almighty God, and all Australian parliaments are opened with a Christian prayer. Religious organizations and churches
(among other nonprofit organizations) also receive significant tax exemptions. Moreover, religious-based nonprofit organizations also play a particularly significant role in Australia’s non-government schools and hospitals.

1.5.2 Professionalism of fund-raising

1.5.2.1 Organization of fund-raising

Fundraising Institute Australia (FIA) is the primary body for fund-raising, with a national head office and state branches. The institute has developed principles and standards for fund-raisers, and its agenda includes government liaison, skills training, an annual conference, localized professional development activities and annual awards for excellence in the sector. Moreover, fund-raising has been offered as a subject at the postgraduate level since 1990 at the Queensland University of Technology.

Currently, no formalized reporting mechanism exists for nonprofit organizations (including charities) to disclose their costs of fund-raising. However, a national Nonprofit Standard Chart of Accounts has been established and adopted by the federal and all state governments (ACPNS, 2011). Recently, the national media has given attention to the high divergence between the fund-raising cost percentages of different nonprofits, as determined from their Annual Reports and audited financial statements. These varied from over 50 percent to as low as 2 percent, suggesting that there is significant variance in the costs included in the calculation. Anecdotally, fund-raising costs are said to be in the range of 18 to 25 percent for most organizations.

Fund-raising activities and solicitation methods common in Australia include direct mail, door-to-door solicitation, regular giving, street fund-raising, bequests, events, raffles, workplace giving, online giving, major gifts and capital campaigns. Disaster giving is an area of special interest in Australia, with its history of bushfires and floods.

1.5.2.2 Major donors

Most Australian major gift giving is made by individuals who earn more than AU$1 million (US$1.02 million) in taxable income. While supporting an array of cause areas, these major donors focus on the areas of arts and education (Scaife et al., 2011). As this trend suggests, major gifts differ from other types of gifts in purpose: they are given as investments in the beneficiary organizations and the community, with the potential to make transformational impact. It also suggests such gifts have yet to reach their potential in Australia, given the number of millionaires who could give significantly.

Madden and Scaife (2008) found that the level of giving by Australia’s affluent was not proportional to increasing levels of income in the ten years from 1995 to 2005. However, wide variations exist with some notable examples of significant gifts.
More recently, in the 2010–2011 financial year, donating taxpayers with a taxable income over AU$1 million per year (US$1.07 million) claimed an average of AU$40,606.60 (US$43,352.81), an increase from the previous year at AU$27,451.27 (US$29,307.79) in tax-deductible donations. This represents 1.17 percent (previous year 0.81 percent) of their taxable income, compared to the national average of 0.35 percent (McGregor-Lowndes & Pelling, 2013).

However, philanthropy in Australia is met sometimes with suspicion. As Leat (2004) reports, ‘displays of benevolence are as likely to generate cynicism as praise.’ Australian media coverage of philanthropy is largely positive (McDonald & Scaife, 2011); however, international comparisons, particularly with the United States, are increasingly portraying Australian giving as insufficient. Australia’s culture of egalitarianism, its ‘tall poppy syndrome’ where high achievers are ‘cut down to size,’ and its cultural cringe where local achievements are undervalued compared to those overseas (Feather, 2005) all contribute to an undervaluing of homegrown generosity and philanthropy. Recently, however, this has begun to change as more private donors publicly make significant gifts. In 2013, two single donations by individuals of AU$50 million (US$51.02 million) or more have set a new benchmark for major gifts in Australia.

1.5.2.3 The role of financial advisory professionals
Like other nations, Australia lacks information about the propensity of financial advisory professionals to provide philanthropic advice, although three empirical surveys have been conducted locally on the topic (Madden, 2009). The role of intermediaries between donors and the nonprofit sector in smoothing the path to higher levels of charitable giving is gaining interest in Australia. High-level donors seek to be informed about giving effectively, and demand for donor education and guidance is growing. Trusted advisers – given their pre-existing knowledge of their clients’ affairs and their promise to serve clients’ interests – are well-placed to assist in planned giving decisions. This is particularly pertinent as overall wealth increases and taxation implications grow more complex.

Yet, in Australia few financial advisors have been actively helping their high net worth (HNW) clients, despite philanthropic services being advertised increasingly as part of services. When surveyed in 2008, 40 percent of Australian advisors described themselves as uninformed about their clients’ interest in philanthropy, and 39 percent were unsure how best to advise their HNW clients about philanthropy (Madden & Scaife, 2008). However, professional and personal interest in philanthropy by professional advisers has increased steadily. From 2002 to 2008, the percentage of Australian advisers who were willing to develop a philanthropy strategy for clients interested in philanthropy grew from just 14 to 55 percent (Madden, 2009).
1.6 Other relevant characteristics for Australia

1.6.1 Lack of ongoing data

While one landmark study (Giving Australia, 2005) has captured a spectrum of Australian giving, the lack of an agreed-upon reporting mechanism of broad annual metrics has constrained the ability to understand the nation’s giving. Particularly in relation to philanthropy, where some forms of foundations have no mandated reporting, knowing the exact scale and scope of the sector is not possible. It is hoped that with the advent of the Australian Charities and Not-for-Profits Commission (ACNC), a bigger reservoir of information may become available to analyze Australian giving over time.

1.6.2 A locational melting pot

Australia is a part of the British Commonwealth but is also strongly allied culturally, economically and in fund-raising style with the United States. Meanwhile, it is anchored geographically as part of the Asia-Pacific, with increasing business ties with China and other parts of Asia. Thus, the influences on its giving and the needs it seeks to fill beyond its own borders are many and diverse.

2. Explaining philanthropy in Australia

2.1 Data and methods

For the data on Australia we use the cross-sectional study Giving Australia, Individual and Household Survey 2005. The study is part of a one-off larger government-funded project called Giving Australia, which also included a Survey of Business, and a Survey of Nonprofit Organizations and Fundraisers. The data for the Individual and Household Survey was collected by the Australian market research company Roy Morgan Research between February 1 and March 15, 2005. To recruit the respondents, a stratified sampling design was used. The sample was stratified by Census Collection Districts (CCD) and 30 percent of the completed interviews have been taken from those CCDs in the top 20 percent of mean household income (Lyons & Passey, 2007). The respondents are Australians of 18 years or older and living in a household with a telephone, because the structured interviews were conducted by phone. On average an interview lasted for 20 minutes. This resulted in an overall response of 6,209 respondents and a raw response rate of 40 percent (Lyons & Passey, 2007). Some extreme outliers were identified, and these were individually examined. The responses that appeared to be a consequence of erroneous recollection or recording were rebased to the mean for all other responses (Lyons & Passey, 2007). This applied to responses for giving and a little over 2.5 percent of volunteering responses. After correcting for outliers the data was...
made representative for the Australian population by applying a weight for age, gender and educational attainment.

The dependent variable in the analyses is the natural log of the total amount of money that a household donated to charitable organizations in 2005. Giving Australia, Individual and Household Survey 2005 measures donations made to 13 subsectors: schools, universities or colleges, sporting clubs, recreational or hobby groups, religious or spiritual organizations, medical research, other health organizations, community or welfare services, international aid and development organizations, emergency relief services, environmental or animal welfare groups, arts or cultural associations, political parties, unions, business or professional associations and other causes.

First, respondents were questioned about how they were approached to make these donations, for example by television advertisement, letterbox or radio advertisement. Second, they were questioned about which payment methods they used, such as cash, check or deduction from pay. Third, respondents were asked if they were aware of or motivated by any tax implications.

2.2 Descriptive results

In the Giving Australia, Individual and Household Survey, 88 percent of Australian households indicate they made at least one donation to nonprofit organizations in 2005. All amounts are converted to 2012 US$. Table 28.1 displays the percentage of donors and level of donation made by Australian households to different types of nonprofit organizations in 2005. In the table, donations for secular and religious causes are reported separately. Compared to secular giving, religious giving is not as widespread in Australia. Only 27 percent of Australian households donate to religious causes, while 86 percent of Australian households donate to secular causes. While giving to religious causes is less popular, the largest amount of money is given to religious causes. Australian households donate on average US$691 to religious causes, while the amount donated to secular causes on average is US$413. This is a difference of US$278.

The results in Table 28.1 show that Australian households donate most frequently to organizations working in the community or welfare services. This might be explained by the fact that Australia has a strong ethos of mateship and egalitarianism (Ward, 1958; Teo & White, 2003). Examples of national organizations active in the community or welfare services are The Salvation Army and The Smith Family. Also, 52 percent of Australian households donate to charities active in medical research. Popular organizations in this sector are The Cancer Council Australia, the Leukaemia Foundation and many foundations supporting individual hospitals and medical research institutes. Some 32 percent of Australian households donate to organizations active in emergency relief services. An example of emergency relief is the monetary aid to those


Table 28.1 Percentage donors and average amount donated among donors to different charitable sectors in Australia in 2005 (N = 5,954; Giving Australia, Individual and Household Survey)

<table>
<thead>
<tr>
<th>Donors (%)</th>
<th>Conditional donation in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools, universities or colleges</td>
<td>18</td>
</tr>
<tr>
<td>Sporting clubs</td>
<td>13</td>
</tr>
<tr>
<td>Recreational or hobby groups</td>
<td>3</td>
</tr>
<tr>
<td>Medical research</td>
<td>52</td>
</tr>
<tr>
<td>Other health organizations</td>
<td>17</td>
</tr>
<tr>
<td>Community or welfare services</td>
<td>61</td>
</tr>
<tr>
<td>International aid and development</td>
<td>24</td>
</tr>
<tr>
<td>Emergency relief services</td>
<td>32</td>
</tr>
<tr>
<td>Environmental or animal welfare</td>
<td>23</td>
</tr>
<tr>
<td>Arts or cultural associations</td>
<td>5</td>
</tr>
<tr>
<td>Political parties, unions, business or professional associations</td>
<td>6</td>
</tr>
<tr>
<td>Other causes</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total secular causes</strong></td>
<td><strong>86</strong></td>
</tr>
<tr>
<td><strong>Total religious causes</strong></td>
<td><strong>27</strong></td>
</tr>
<tr>
<td><strong>Total all causes</strong></td>
<td><strong>88</strong></td>
</tr>
</tbody>
</table>

affected by the 2004 Asian tsunami. Almost a quarter of Australian households (23 percent) donate to organizations active in environmental or animal welfare. Examples of these organizations are the RSPCA, the Australian Conservation Foundation and the Great Barrier Reef Foundation. In addition, 18 percent of Australian households donate to schools, universities or colleges, 17 percent to other health organizations and 13 percent to sporting clubs.

Less popular causes in Australia are political parties, unions, business or professional associations, arts or cultural associations (though now increasing slowly), recreational or hobby groups and other causes. Respectively, 6 percent, 5 percent, 3 percent and 0.4 percent of Australian households donate to these organizations. The lowest amount of money (US$72) was donated to the secular cause of emergency relief services. This is not surprising because Australians do
cumulatively give a lot of money during times of emergency through a high
giving participation rate, but this generosity in monetary terms is often short-
lived. This was the case for the monetary aid for the tsunami in Asia in 2004
and more recently the Victorian Bushfires (2009) and the Queensland floods
(2011).

2.3 Explaining philanthropic giving in Australia

In this section we look at the relationships between characteristics known to
influence philanthropic behavior and the likelihood of giving, and the amount
people give to all charitable, religious and secular organizations.

2.3.1 Incidence of giving

Table 28.2 displays the results of a logistic regression analysis of whether or
not people give to any charitable cause (total giving), to religious causes and to
secular causes.

Looking first at the results for total giving, when compared to people aged
under 35, people aged over 65 have a 31 percent higher probability of giving,
and people aged between 35 and 65 have the same probability of giving. Those
who completed secondary education have a 79 percent higher probability to
donate to a charitable cause than someone with exclusively primary education.
On the contrary, people who completed tertiary education have a 33 percent
lower probability to donate to a charitable cause than someone with exclusively
primary education.

Men have a 21 percent higher probability of donating to a charitable cause
than women. Couples living together (with or without children) have a 3 per-
cent higher probability of making a donation compared to people who are liv-
ing alone or living in a household group of (un)related adults. Unsurprisingly,
income has an influence on the probability of making a donation. Households
who earn US$10,000 a year or more have a 45 percent higher probability of
donating to a nonprofit organization.

Furthermore, people who are religiously affiliated have a higher probabil-
ity of donating money to a charity. Compared to those who are not religious,
Roman Catholics are 56 percent more likely and Protestants are 38 percent
more likely to donate. People affiliated with the Church of England have a
34 percent higher probability of donating, and people affiliated to another reli-
gious denomination (Islam, Hinduism, Judaism or other) have a 13 percent
higher probability of donating, all compared to those who are not religious.
Only people who are affiliated to another Christian denomination (Uniting
Church/Methodist, Orthodox, Baptist, Assemblies of God, other Pentecostals,
Seventh Day Adventists, Mormons, Church of Christ, Salvation Army or
Lutheran) have a 29 percent lower probability to give to any charitable cause
compared to those who are not religious. Moreover, attending religious services
Table 28.2: Logistic regression analysis of total, religious and secular giving in Australia in 2005 (N = 5,954; Giving Australia, Individual and Household Survey)

<table>
<thead>
<tr>
<th>Total giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>S.E.</td>
<td>Odds ratio</td>
</tr>
<tr>
<td>Constant</td>
<td>0.94</td>
<td>0.15</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>−0.16</td>
<td>0.12</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.12</td>
<td>0.15</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.12</td>
<td>0.13</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>0.27</td>
<td>0.11</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.27</td>
<td>0.11</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.27</td>
<td>0.11</td>
</tr>
<tr>
<td>Male</td>
<td>0.19</td>
<td>0.09</td>
</tr>
<tr>
<td>Female (ref.)</td>
<td>−0.08</td>
<td>0.04</td>
</tr>
<tr>
<td>Couple (ref.)</td>
<td>0.19</td>
<td>0.09</td>
</tr>
<tr>
<td>Single</td>
<td>0.19</td>
<td>0.09</td>
</tr>
<tr>
<td>After tax household income</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>−0.34</td>
<td>0.17</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.38</td>
<td>0.12</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.44</td>
<td>0.12</td>
</tr>
<tr>
<td>Other Christian denominations</td>
<td>0.29</td>
<td>0.15</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>0.13</td>
<td>0.03</td>
</tr>
<tr>
<td>Religious attendance</td>
<td>0.21</td>
<td>0.08</td>
</tr>
<tr>
<td>Generalized trust</td>
<td>0.21</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Notes: 1. After tax household income in US$/10,000; 2. Religious service attendance in times a month; 3. Scale 0–1; §Secular giving comprises of giving to organizations in the fields of schools, universities or colleges, sporting clubs, recreation or hobby groups, medical research, other health organizations, community or welfare services, international aid and development, emergency relief services, environmental or animal welfare, arts or cultural associations, political parties, unions, business or professional associations and other causes; ∗∗p ≤ 0.01; ∗p ≤ 0.05; +p ≤ 0.10.
more frequently increases the probability of giving by 23 percent. Finally, people who completely trust generalized others have a 156 percent higher probability of giving in comparison to people with no trust in generalized others at all.

The results for incidence of religious giving differ from the results for total giving. Age, gender and income do not have an influence on whether or not one makes a religious donation. Education does have an influence on the probability of making a donation, but the percentages differ from total giving. People who completed secondary and tertiary education have, respectively, a 4 percent and a 76 percent higher probability of giving to religious causes compared to people who only completed primary education. Couples have a 18 percent higher probability of giving compared to people who are living alone or living in a household group of (un)related adults. Religious affiliation especially influences the inclination for religious giving. Roman Catholics have a 573 percent higher probability of donating, Protestants have a 320 percent higher probability, and people affiliated to the Church of England have a 256 percent higher probability, all compared to those who are not religious. People who are affiliated to another Christian denomination have a 466 percent higher probability of donating and people affiliated to another religious denomination have a 309 percent higher probability, both compared to those who are not religious. Attending religious services more frequently on a monthly basis increases the probability by 85 percent of making a religious donation. People who completely trust generalized others have a 20 percent higher probability to give to religious charities in comparison to people with no trust in generalized others at all.

The results for secular giving also differ from the results for total giving. None of the following factors influence secular giving intentions: being a couple, being Protestant, being affiliated to another Christian denomination or attending religious services. People aged between 35 and 65 have a 28 percent higher probability of making a secular donation compared to people who are 34 or younger. People who completed tertiary education have a 73 percent higher probability of making a donation compared to people with only primary education. Men have a 35 percent lower probability of making a secular donation compared to women. Households earning US$10,000 a year or more have a 4 percent higher probability of donating to a secular nonprofit organization. People affiliated to another religious denomination have a 26 percent lower probability of making a donation to a secular cause compared to people who are not religious. The other results for incidence of secular giving resemble the results for total giving.

2.3.2 Amount donated

Table 28.3 displays the results from a Tobit regression analysis of the natural log of the total amount people gave to any charitable cause, to religious charitable
Table 28.3  Tobit regression analyses of the natural log of the total amount donated in Australia in 2005 (N = 5,954; Giving Australia, Individual and Household Survey)

<table>
<thead>
<tr>
<th></th>
<th>Total giving</th>
<th>Religous giving</th>
<th>Secular giving²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marginal</td>
<td>S.E.</td>
<td>Marginal</td>
</tr>
<tr>
<td>Aged under 35 (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Aged between 35 and 65</td>
<td>0.65**</td>
<td>0.09</td>
<td>0.11</td>
</tr>
<tr>
<td>Aged over 65</td>
<td>0.79**</td>
<td>0.12</td>
<td>0.19(+)</td>
</tr>
<tr>
<td>Primary education (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Secondary education</td>
<td>0.32**</td>
<td>0.08</td>
<td>0.19**</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.77**</td>
<td>0.07</td>
<td>0.42**</td>
</tr>
<tr>
<td>Male</td>
<td>-0.20**</td>
<td>0.06</td>
<td>0.04</td>
</tr>
<tr>
<td>Couple</td>
<td>0.09**</td>
<td>0.07</td>
<td>0.14*</td>
</tr>
<tr>
<td>After tax household income¹</td>
<td>0.06**</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Not religious (ref.)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roman Catholic</td>
<td>0.44(+)</td>
<td>0.08</td>
<td>1.61**</td>
</tr>
<tr>
<td>Protestant</td>
<td>0.36</td>
<td>0.19</td>
<td>1.24**</td>
</tr>
<tr>
<td>Anglican Church</td>
<td>0.34**</td>
<td>0.09</td>
<td>1.09**</td>
</tr>
<tr>
<td>Other Christian denomination</td>
<td>0.57**</td>
<td>0.10</td>
<td>1.61**</td>
</tr>
<tr>
<td>Other religious affiliation</td>
<td>-0.01</td>
<td>0.14</td>
<td>1.28**</td>
</tr>
<tr>
<td>Religious attendance²</td>
<td>0.25**</td>
<td>0.01</td>
<td>0.34**</td>
</tr>
<tr>
<td>Generalized trust³</td>
<td>0.35**</td>
<td>0.06</td>
<td>0.16**</td>
</tr>
</tbody>
</table>

Notes: ¹After tax household income in US$/10,000; ²Religious service attendance in times a month; ³Scale 0-1; ⁴Secular giving comprises of giving to organizations in the fields of schools, universities or colleges, sporting clubs, recreation or hobby groups, medical research, other health organizations, community or welfare services, international aid and development, emergency relief services, environmental or animal welfare, arts or cultural associations, political parties, unions, business or professional associations and other causes; ** p ≤ 0.01; * p ≤ 0.05; (+) p ≤ 0.10.

causes and to secular charitable causes in 2005. In this section we first interpret the results for the analyses of total giving. The results show that age matters for the level of total philanthropic donations. People between 35 and 65 years donate 65 percent more money than people under 35. People aged over 65 donate 79 percent more money than those 34 years old and younger. Education matters too: people who completed secondary education give 32 percent more and people who completed tertiary education give 77 percent more, both compared to those who only completed primary education or less.

Men are likely to give 20 percent less money than women. Couples donate 9 percent more than people who live alone or in a household group of
(un)related adults. Likewise, people who earn 10,000 or more US$ a year are predicted to give 6 percent more to charitable causes.

Religious affiliation also matters for the level of total philanthropic donations. When compared to those who are not religiously affiliated, people who belong to the Roman Catholic Church donate 44 percent more, people who are affiliated to the Anglican Church donate 34 percent more and people who belong to another Christian denomination donate 57 percent more. The level of donations of those who are affiliated to Protestantism or other religious denominations is not affected by their faith. Attending religious services at least once a month relates to 25 percent higher giving. Finally, people who completely trust generalized others give 35 percent more money to philanthropic organizations than people who completely distrust other people.

The results for religious giving differ from the results for total giving. First, being aged between 35 and 65, gender and income do not affect the level of religious donations. There is also a noticeable difference among the religiously affiliated between the amount given to total causes and religious causes. When compared to those who are not religiously affiliated, Roman Catholics donate 161 percent more, Protestants donate 124 percent more, those affiliated with the Anglican Church donate 109 percent more, those affiliated with another Christian denomination donate 161 percent more and those affiliated with another non-Christian religious affiliation donate 128 percent more to religious causes. The other results from the Tobit analyses for religious giving resemble the results of total giving.

The results for secular giving echo the results of total giving. There are only two minor differences. First, living as a couple does not affect the level of secular giving, although it did affect the level of total giving. Second, people who attend religious services more frequently donate 4 percent more to secular causes, while people who attend religious services more frequently donate 25 percent more to total causes.

3. Conclusion

Philanthropic behavior in Australia is potentially influenced in the future by two factors: the operation of the ACNC and the recent granting of DGR status to Philanthropy Australia (PA). The goals of the ACNC include ‘to maintain, protect and enhance public trust and confidence in the sector through increased accountability and transparency’ and to reduce duplication and complexity of reporting and regulatory obligations (ACNC, 2013). If the ACNC even partially succeeds in achieving these goals, the nonprofit sector will benefit significantly.

Additionally, the 2013 change in the tax deductible status of Philanthropy Australia, the national membership body for grant-making trusts and
foundations in Australia, will permit those organizations to make grants to \( \text{PA} \) in support of the growth and development of the philanthropic sector for the first time in its 35-year history.

However, two factors limiting philanthropic behavior in Australia are concerns about transparency and accountability for grantmaking organizations and the linked question of privacy for donors (Scaife, Williamson, McDonald, & Smyllie, 2012). The Philanthropy Australia 2012 submission on the second Exposure Draft of the Australian Charities & Not-for-Profits Commission Bill makes this point strongly: ‘We simply ask that the private information about private charitable trusts controlled by families is not included on the public register’ (Philanthropy Australia, 2012, p. 3). The final legislation establishing the ACNC gives the Commissioner power to withhold or remove information from the register. This amendment applies mostly to information relating to Private Ancillary Funds and is designed to protect the privacy of individual donors and philanthropists (ACNC, 2012). Despite progress yet to be made on a range of fronts, there is no doubt that Australia has begun to tap into its significant philanthropic potential.

Note

1. The exchange rate used is AU$1 = US$1.0203, as on January 1, 2012. All Australian dollar values have been converted into US dollars and inflated to 2012 price levels. Sources are www.oanda.com

References


Part III

Themes and Findings
The Social Origins of the Nonprofit Sector and Charitable Giving

Christopher J. Einolf

1. Introduction

How does the nature of a country’s government, and the relationship between the government and the nonprofit sector, affect individuals’ charitable giving? As other chapters focus on the political and economic determinants of the size and nature of the nonprofit sector, this chapter focuses on the historical development of the state and social welfare policy and the interaction between the state and the nonprofit sector. The first section of the chapter reviews Salamon and Anheier’s social origins theory and tests it on wealthy democratic countries using the data collected in the country chapters of this volume. The second section extends Salamon and Anheier’s theory and applies it to non-democratic and developing countries.

The first section finds mixed but limited empirical support for predictions about charitable giving behaviors taken from Salamon and Anheier’s social origins theory. Their theory would predict that liberal democracies would have the highest rates of charitable giving, the highest rate of giving to charities supporting basic human needs and the largest number of nonprofits per capita, followed by corporatist countries and social-democratic ones. On the contrary, the data shows that social-democratic countries have unexpectedly high rates of overall charitable giving and human services giving, and that corporatist countries have the largest number of nonprofits per capita.

While the first section finds only limited empirical support for social origins theory in analyzing wealthy countries, the second section demonstrates the utility of the theory in analyzing the nonprofit sector in developing countries. Most of these countries are progressing along corporatist lines, as government actors try to coopt and control the nonprofit sector through regulation, funding and the creation of government-sponsored nonprofits. However, government success with this strategy varies: the governments of China and Vietnam have succeeded in creating a nonprofit sector under government control, while in Egypt and Indonesia the nonprofit sector not only became independent but
also helped in the overthrow of authoritarian regimes. Few countries have developed into liberal or social-democratic models. One important difference between present-day developing countries and the history of European countries is the existence and influence of foreign funding and international models. These structures have helped the nonprofit sector in South Korea and Taiwan become stable and sustainable after foreign funding was withdrawn. However, in the countries of the Caribbean, Bulgaria and others, foreign funding failed to achieve the same results.

2. Social origins theory

Salamon and Anheier (1998; also Salamon, 1999; Salamon & Sokolowski, 2004; Anheier & Salamon, 2006) have provided the most influential theory of how historical events explain present-day variation in the nonprofit sector across countries. They base their theory on Barrington Moore, Jr.’s (1966) analysis of how past political and economic struggles among landed elites, the bourgeoisie, the working class, the peasantry and the state explain the evolution of industrialized countries into capitalist, fascist and socialist forms of government. They also draw on the work of Esping-Andersen (1990), who explains how and why the welfare state took on different forms in the countries of Europe and North America. Like Moore, Esping-Andersen sees the modern welfare state as the outcome of a struggle among elites, the working class, the bourgeoisie and the government. In modern-day liberal states (the United States, the United Kingdom, Canada and Australia), democratic government evolved before the development of the welfare state and was dominated by the middle class. As such, these countries developed a limited welfare state, in which the government makes means-tested payments to the ‘deserving poor’ and provides some unemployment insurance to workers. In modern-day social-democratic states (Finland, Sweden, Denmark, the Netherlands and Norway), working-class elements gained enough power to successfully push for a welfare system that covers all citizens. In corporatist states (the rest of Western Europe), the welfare state developed under the control of non-democratic governments, which became democratic later. State actors allied with wealthy elites to create a welfare system that provided services to the poor and working classes, thereby preventing social unrest while also preserving class distinctions and privileges.

Salamon and Anheier apply Esping-Andersen’s (1990) categorization to the nonprofit sector and classify his three categories along two axes, one for government social welfare spending and another for the size of the nonprofit sector. Liberal states have a large nonprofit sector and low government social welfare spending; corporatist states have a large nonprofit sector and high government social welfare spending; and social-democratic states have a small nonprofit sector and high government social welfare spending. The two-by-two table implies the existence of a fourth cell containing countries with a small
Table 29.1  Salamon and Anheier’s classification of states

<table>
<thead>
<tr>
<th>Low welfare spending</th>
<th>High welfare spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small nonprofit sector</td>
<td></td>
</tr>
<tr>
<td>Statist</td>
<td>Liberal</td>
</tr>
<tr>
<td>Elites dominate the state</td>
<td>Middle class dominates</td>
</tr>
<tr>
<td>Japan</td>
<td>United States, United Kingdom, Canada, Australia</td>
</tr>
<tr>
<td>Large nonprofit sector</td>
<td></td>
</tr>
<tr>
<td>Corporatist</td>
<td>Social-democratic</td>
</tr>
<tr>
<td>Elites dominate, but make concessions to the middle and working class</td>
<td>Working class dominates</td>
</tr>
<tr>
<td>France, Germany, the Netherlands, most of Europe</td>
<td>Scandinavian countries and Italy</td>
</tr>
</tbody>
</table>

nonprofit sector and low government social welfare spending. Salamon and Anheier label this category *statist* and place Japan in this category, arguing that the state retained more autonomy in Japan than in the corporatist countries of Europe. The other three cells have the same countries as Esping-Andersen’s classification, except that Salamon and Anheier classify the Netherlands as corporatist and Italy as social-democratic (Table 29.1).

Two authors have modified Salamon and Anheier’s typology. Sivesind and Selle (2009) reduce Salamon and Anheier’s four categories to two: ‘liberal’ and ‘European.’ The liberal category includes the United Kingdom, Australia and the United States, while the European category includes both the corporatist and social-democratic categories. They argue that government welfare spending and religious homogeneity define the categories, with liberal countries low on both factors and European countries high on both factors. Archimbault (2009) adds the categories of ‘emerging’ and ‘post-communist’ to extend the typology to Eastern and Southern Europe. The emerging countries of Southern Europe (Spain, Portugal and Greece) have only recently developed a nonprofit sector because dictatorships prevented their development. Government contributes little to the nonprofit sector, private donors contribute a lot and most nonprofits work in social services and education. The post-communist countries of Eastern Europe have a small and new formal nonprofit sector, which works mainly in culture and recreation.

3. Applying social origins theory to giving in democratic countries

3.1 Hypotheses

Salamon and Anheier’s (1998) classification scheme implies three predictions about charitable giving in social-democratic, corporatist and liberal countries.
As their statist category is poorly defined, I exclude this category from these hypotheses and discuss it in the next section.

**H1: Charitable giving is highest in liberal democracies, followed by corporatist democracies and then social-democratic countries.** In liberal democracies, the state provides fewer social services, and people believe that providing for basic needs is the joint responsibility of the state and charitable organizations. The state does little to regulate or control nonprofits; thus, many nonprofit organizations compete in soliciting donations. These two factors would be expected to make charitable giving high. In corporatist states, the government takes a larger responsibility for social welfare and supports certain nonprofits, giving donors less of a role and fewer choices. In social-democratic countries, the government takes full responsibility for providing for basic needs. Citizens know that their high tax payments cover social needs, so they are less inclined to donate money.

**H2: Liberal countries have the highest level of donation to services (health, education, poor relief and housing), followed by corporatist, then by social-democratic countries.** The rationale for this hypothesis is similar to that of the first hypothesis: donors are more likely to give money to social services charities in countries where the government takes less responsibility for social services and where a diverse nonprofit sector gives donors greater choice and competition for their donations.

**H3: Social-democratic countries have the highest donations to expressive, advocacy and international causes, followed by liberal and then by corporatist countries.** Salamon and Anheier (1998) argue that the government’s takeover of social welfare does not eradicate the urge to donate money, but transfers the target of donation from basic services to other areas. They label these other areas ‘expressive,’ a category that includes arts, culture, recreation, the environment and advocacy. As international giving involves providing services to people not covered by the welfare state's safety net, I include international giving in this category. Sokolowski (2013) has found that donors in social-democratic countries transfer their giving from basic needs to expressive purposes. Following Sokolowski, I hypothesize that donors living in social-democratic countries, where the government has the highest role in social welfare provision, will experience the most transference of giving from basic services to expressive organizations. Less transference will occur in corporatist countries, where the government has a slightly less dominant role, and the least will occur in liberal countries, where the government does not guarantee social welfare and thus private charities must provide more basic services.

**H4. Liberal countries will have the largest nonprofit sector, followed by social-democratic countries and then corporatist countries.** Salamon and Anheier’s theory predicts that the number of nonprofits is highest in liberal countries, where the government’s lack of social welfare provision and permissive regulation of nonprofits allow many to emerge. Nonprofits are also predicted to be
numerous in social-democratic countries, where expressive organizations thrive and volunteerism is high. Corporatist countries are predicted to have the lowest number of nonprofits per capita, as the government’s alliance with and funding of large nonprofits tend to keep smaller nonprofits from forming.

3.2 Method
To test these hypotheses, I classified the wealthy democratic countries in this volume into liberal, corporatist and social-democratic categories, leaving out Japan and the poorer and non-democratic countries. The liberal countries are Australia, Canada, the United Kingdom and the United States. The corporatist countries are Austria, France, Germany, Ireland, Israel and South Korea. The social-democratic countries are Finland, the Netherlands, Norway and Switzerland. Salamon and Anheier do not classify Switzerland, Ireland, Israel and South Korea, so I classified them using the information in the country chapters. Salamon and Anheier classify the Netherlands as corporatist, but I follow Wiepking and Bekkers (this volume) and include it with the social-democratic countries. Data on overall giving is available for all of these countries, but information on giving by sector is available only for Austria, Finland, France, the Netherlands, Norway, Switzerland and the United States.

In addition to the data collected for this book, I used one other data set to test hypotheses, the 2011 Gallup World Poll (GWP). The 2011 GWP collected nationally representative samples of over 150 respondents in 153 countries, including all of the countries represented in this book (CAF, 2012). The GWP asks respondents whether they donated money to charity during the last month, but does not ask for the type of charity or the amount.

3.3 Results
The first hypothesis, that charitable giving is highest in liberal democracies, followed by corporatist and social-democratic states, is not supported (Table 29.2). Examining the data gathered in the country chapters of this book, social-democratic countries have the highest percentage of the population who give money to charity (79.0 percent), followed by liberal democracies (71.8 percent) and then corporatist countries (63.0 percent). A comparison of secular giving leads to similar results, with social-democratic countries the highest (78.3 percent), followed by liberal democracies (71.0 percent) and corporatist states (54.8 percent). Data from the GWP provide different results, showing that liberal countries have the highest donation rate (69.1 percent), followed by social-democratic (55.3 percent) and corporatist (48.0 percent). The inconsistent findings among these datasets show how different survey methods can significantly affect the amount of giving reported. In both datasets, corporatist countries have the lowest rate of giving, but the datasets disagree on whether liberal or social-democratic countries have the highest.
### Table 29.2  Giving across countries by regime

<table>
<thead>
<tr>
<th>Country</th>
<th>Any giving</th>
<th>Religious giving</th>
<th>Secular giving</th>
<th>Any giving – Gallup</th>
<th>Average total donation</th>
<th>Average secular donation</th>
<th>Average religious donation</th>
<th>Registered nonprofits (1,000's)</th>
<th>Population (millions)</th>
<th>Nonprofits per 1,000 people</th>
<th>Funding from donations</th>
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<td>79</td>
<td>70</td>
<td>2486</td>
<td>2269</td>
<td>1133</td>
<td>1600</td>
<td>298</td>
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<tr>
<td>United States</td>
<td>70</td>
<td>61</td>
<td>65</td>
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<td>2486</td>
<td>2269</td>
<td>1133</td>
<td>1,600</td>
<td>298</td>
<td>5.4</td>
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<td>54.8</td>
<td>48.0</td>
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<td>56.1</td>
<td>705.9</td>
<td>257.9</td>
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<td>34</td>
<td>7</td>
<td>4.9</td>
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<td>12</td>
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<tr>
<td>Vietnam</td>
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<td>23</td>
<td>84</td>
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<td>3</td>
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</tr>
<tr>
<td><strong>All Poor/Statist:</strong></td>
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<td>30.5</td>
<td>44.3</td>
<td>32.0</td>
<td>124.6</td>
<td>192.5</td>
<td>1.6</td>
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</table>
When examining the amount donated, the first hypothesis is supported. Liberal democracies have the highest average donation (US$1,088), followed by corporatist countries (US$566) and then social-democratic ones (US$325). The high level of donations in liberal democracies is driven primarily by the extremely high average donation of US$2,486 in the United States, as the level of giving in both Australia (US$391) and Canada (US$387) is almost as low as the social-democratic average. Furthermore, the high average donation in the United States is in part a function of high levels of religious giving, as the average donation to religious causes is US$2,296 and the average donation to secular causes is only US$1,133.

Similarly, Salamon and Anheier’s theory is supported by the data taken from the Johns Hopkins Comparative Civil Society project (Salamon & Sokolowski, 2004) on donations as a percentage of overall nonprofit funding. Donations form the highest percentage of nonprofit funding in liberal democracies (9.3 percent), followed by corporatist states (6.3 percent) and social-democratic countries (5.3 percent). Similarly, donations as a percentage of GDP is highest in liberal countries (0.66 percent), followed by corporatist (0.43 percent) and social-democratic (0.30 percent) countries.

Why are citizens of the United States more generous in the amount donated, but not more generous in their likelihood of donation? The answer may lie in the large income and wealth inequalities of the United States, strong tax incentives that disproportionately benefit the wealthy, and popular support for religious institutions. There are also measurement issues involved, as the survey used as the source of the US data only counts donations of more than US$25, while the surveys used in other countries count any donation, regardless of size. Thus, while Salamon and Anheier’s theory is partially supported, the evidence rests upon a single outlying case.

The second hypothesis, that liberal countries give the most to social services, followed by corporatist and then social-democratic, is not supported (Table 29.3). For health, the social-democratic countries have the highest rate of donation (66.5 percent), followed by the United States (23 percent), which is the only liberal country for which we have giving data by sector, and then corporatist countries (22.5 percent). For education, the liberal United States has a higher rate of giving (16 percent) than the corporatist average (10 percent) or the one social-democratic country for which data are available, the Netherlands (7 percent). For human services, social-democratic countries have the highest rate of donation (38.5 percent), followed by corporatist countries (29.0 percent) and the liberal United States (29 percent).

Data on expressive, advocacy and international causes supports the third hypothesis, that social-democratic countries will have the highest donations, followed by corporatist countries and then liberal states (Table 29.3). As predicted, social-democratic countries have the highest rate of giving to arts and
### Table 29.3  Percentage of the population making donations to nonprofits in different sectors

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<thead>
<tr>
<th></th>
<th>Arts/culture</th>
<th>Education</th>
<th>Environment</th>
<th>Health</th>
<th>Human services</th>
<th>International emergency</th>
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<td>United States</td>
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<td>16.0</td>
<td>9.0</td>
<td>23.0</td>
<td>29.0</td>
<td>5.0</td>
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</tbody>
</table>
culture (16.0 percent), followed by the United States (8 percent) and corporatist countries (3.5 percent). Environmental giving is highest in social-democratic countries (42.0 percent), followed by corporatist countries (16.0 percent) and the United States (9 percent). Giving to international relief efforts is also highest in social-democratic countries (51.5 percent), followed by corporatist countries (12.5 percent) and the United States (5 percent).

Hypothesis four, that liberal and social-democratic countries would have the largest number of nonprofits, was not supported (Table 29.2). Liberal countries have the smallest number of nonprofits per capita, with an average of 4.0 per 1,000 people, while social-democratic countries have an average of 11.9 per 1,000 people, and corporatist countries have the highest number, with 32.6 per 1,000 people. Furthermore, the categories themselves seem of little use in classification as the numbers vary so much within each category. Social-democratic countries range from a low of 5.6 nonprofits per 1,000 people in Norway to a high of 26 per 1,000 in Finland. Corporatist countries range from a low of 0.2 per 1,000 in South Korea and two per 1,000 in France to 86 per 1,000 in Ireland and 90.9 per 1,000 in Israel. Only in the liberal countries are the numbers similar, ranging from 1.7 per 1,000 people in the United Kingdom to 6.2 per 1,000 in Canada. Differences in how nonprofits are classified, registered and counted in each country probably explain some of the wide variation in these numbers, but the diversity within each category is still striking. When variation within categories is as great as variation among categories, the validity of the categorization itself is doubtful.

3.4 Discussion

Even for wealthy, democratic countries with a European culture and history, Salamon and Anheier’s social origins theory is of limited use. As shown above, their theory fails to predict present-day cross-national variation in charitable giving and the size of the nonprofit sector. Furthermore, the historical claims of their theory have never been rigorously tested. Their original (1998) article proposing the theory offers only about five pages of historical data backing up their developmental hypotheses. While the intent of their original article was only to sketch the outlines of their theory, neither the authors nor any other scholars have conducted comparative historical research during the 15 years since their original publication that would put the theory on firmer footing. Salamon and colleagues’ (1999, 2003) follow-up volumes provide cross-national comparative data about the present-day nonprofit sector, but the historical sections of each country chapter are only brief sketches of a page or two in length. No concluding chapter combines this historical data into a single comparative analysis.

Salamon and Anheier’s reasoning can be circular, as they place countries into categories based on outcomes rather than history. As Ragin (1998) points out,
Salamon and Anheier classify Italy as a social-democratic country due to its high social welfare spending and small nonprofit sector, even though Italy does not have the same history of democratic development and working class power as the Nordic countries. As in Germany and other corporatist states, Mussolini’s absolutist government both created a strong state welfare system and placed limits on the development of nongovernmental organizations. Nevertheless, Salamon and Anheier ‘force-fit Italy into the social-democratic type, when in causal terms it looks much more like a corporatist regime’ (Ragin, 1998, p. 269).

On theoretical grounds, Salamon and Anheier’s theory is incomplete. While class struggles for control of the state probably had an effect on the size and nature of the nonprofit sector, the authors overlook other causes. Ragin (1998) criticizes Salamon and Anheier for relying too much on Moore (1966) and Esping-Andersen (1990). Bambra (2007) notes that Esping-Andersen’s work has itself received many challenges since its initial publication, and criticizes scholars who rely too heavily on his typology without considering its limitations. Ragin highlights the work of Rokkan (1970), among others, in identifying other historical causes, which include ethnolinguistic diversity and the timing of state formation.

The most important missing variable in Salamon and Anheier’s typology is religion (Ragin, 1998). Rokkan (1970) considers whether a country became Catholic or Protestant, whether Catholic countries retained a Protestant minority and what relationship has existed between the state and the church. As religion is an important concern in Esping-Andersen’s (1990) original work, it is puzzling that Salamon and Anheier do not use this aspect of his theory. Smith and Grønbjerg (2006) also highlight the importance of religion in explaining cross-national variation in the nonprofit sector, citing the work of James (1987), Alber (1995) and Morgan (2002). Moreover, Sivesind and Selle (2009) make religion a primary causal variable, explaining cross-national variation in nonprofit sector employment with a model using three variables: religious homogeneity, social welfare spending and income from donations.

4. Extending social origins theories to poor and non-democratic countries

Salamon and Anheier’s social origins theory focuses on the countries of Western Europe and the former British colonies of Australia, Canada and the United States. They include Japan in their original analysis, creating the category of statist to cover this one country (Salamon & Anheier, 1998), and later mention Brazil as a second example of a statist country (Anheier & Salamon, 2006). In this present volume, the authors of the chapters on Bulgaria, China, Egypt, Hong Kong, Indonesia, Lebanon, Mexico, Russia, Taiwan and Vietnam have followed Salamon and Anheier in labeling their countries as statist, but such
Themes and Findings

a diverse range of countries deserves more than one category. Salamon and Anheier describe statist countries as those in which both government social welfare spending and the nonprofit sector are small. Their single example, Japan, developed this way because the state retained power which it exerted ‘on its own behalf, or on behalf of business and economic elites, but with a fair degree of autonomy sustained by long traditions of deference and a much more pliant religious order’ (Salamon & Anheier, 1998, p. 229).

Rather than force all of these countries into the statist category, I believe it makes more sense to compare wealthy democracies with poor countries, leaving Japan as a special case in neither category. Wealthy democracies can divide into Salamon and Anheier’s liberal, corporatist and social-democratic categories, although there are problems even with these categories, as our test of hypotheses in section two shows. Poor countries are not statist – representing the end of a path of development – but rather are on a path of development that has not yet led them to one of Esping-Andersen’s three outcomes.

Why leave Japan a special case? Salamon and Anheier’s theory, and the theory of Esping-Andersen (1990) upon which it is based, assumes a European cultural background, including Christian notions of charity, the historical struggle between Catholicism and Protestantism and a complex power relationship between the Christian church and the state. This cultural background also includes an intellectual and political background of conflict among liberal democratic, Marxist, Fascist, socialist and conservative ideologies. Japan’s history has none of these elements, so it has followed a different path in its formation of a welfare state and nonprofit sector. Haddad’s (2011) analysis of Japan’s nonprofit sector supports the theory that the country is an exceptional case and proposes a ‘state in society approach’ to understanding it.

The remaining countries in this volume seem to share only the fact that they are less wealthy and less democratic than the countries of Western Europe, North America and Australia. Considering social origins theory as a developmental theory, one can view these countries as being at an earlier stage in the path of development to a welfare state and nonprofit sector. If this is true, then one can use social origins theory to not only classify present-day poor countries according to the history of present-day wealthy countries, but also predict where their development will take them. For lack of a better term, I will use the words ‘developing’ and ‘poor’ to describe the non-wealthy and non-democratic countries profiled in this volume: Bulgaria, the countries of the Caribbean, China, Egypt, Hong Kong, Indonesia, Lebanon, Mexico, Russia, Taiwan and Vietnam.

One implication of this developmental view of social origins theory is that poor countries do not have smaller nonprofit sectors because they are at the end of a statist path of development; rather, they have smaller nonprofit sectors because they at an early stage in a path that might lead to a corporatist, liberal
or social-democratic system. But do these countries have smaller nonprofit sectors? The data from this volume shows that they do. The probability of making a donation for a resident of a wealthy country is 69.6 percent, while the probability of making a donation in poorer countries is 51.8 percent (Table 29.2). In this analysis, democratic countries include liberal, corporatist and social-democratic countries, but exclude Japan. As the surveys used in Bulgaria and Russia count any donation made in the previous two or three years, while the surveys used in democratic countries only count giving made in the last year, the percentage for non-democratic countries would be even smaller if the same time period was used. Considering only secular giving, similar results are found: the probability of giving in wealthy democracies is 63.4 percent versus 44.7 percent in poor and non-democratic countries. The data from the GWP show the same pattern, with a 56.1 percent average probability of residents of wealthy countries making a donation and a 32.0 percent average probability for residents of poor countries (Table 29.2).

Since poor countries’ governments do not have adequate tax revenue to guarantee social services to all citizens, one would expect the citizens of those countries to fill the gap by donating more money to service nonprofits than expressive organizations. This theory is supported by the data, which show that the people living in poor countries are most likely to give to human services charities (37 percent), followed by education (29 percent) and health (11 percent). The people in poor countries are least likely to give money to expressive organizations, such as arts and culture organizations (6 percent) and environmental organizations (6 percent). The average probability of donation to education is higher in poor countries (29 percent) than in wealthy democracies (10.8 percent) and the probability of giving to human services is similar in poor (37 percent) and wealthy countries (34 percent). In all other categories, people living in wealthy democracies are more likely to give.

In regard to the political relationship between the state and the nonprofit sector, there are five possible ways these two can relate: separate spheres, abolition, state control, nonprofit influence and collaboration. First, the state and nonprofit sector can operate in separate spheres, with the nonprofit sector providing charitable aid with little assistance or regulation from the state. No wealthy democratic country exhibits this relationship today, but the liberal countries of Canada, the United States, England and Australia followed this model in the 19th century. The state can also abolish the nonprofit sector by making it illegal, as France did after the Revolution of 1789, as communist countries did through most of the 20th century, and as some dictatorships do today (Heurlin, 2010).

Assuming that the state neither abolishes nor ignores the nonprofit sector, the two will interact on policy issues with varying degrees of conflict and cooperation. The state can attempt to control the nonprofit sector through funding
and regulation (Heurlin, 2010); the nonprofit sector can attempt to influence the state through lobbying, advocacy and alliances with political parties; or the two sectors can collaborate to set policy and provide services. These five options do not form ideal types, and I am not proposing a division of states into five groups. Few states today have completely outlawed the nonprofit sector, although many try to discourage its development, and no government completely ignores nonprofits. In most states, the relationship between the state and the nonprofit sector is located on a continuum between state control of nonprofits and nonprofit influence over the state. The nature of these relationships may vary by sector and field in degrees of cooperation, contention and domination.

Looking at the early political relationship between the state and the nonprofit sector in Europe and North America helps explain Salamon and Anheier’s categories of liberal, social-democratic and corporatist. Liberal countries had an early history of separate spheres, with an autonomous nonprofit sector providing charitable assistance without much involvement by the state. As these countries developed a welfare state in the 20th century, the nonprofit charitable sector continued to function somewhat independently. Social democratic countries had a powerful nonprofit sector allied with labor unions that exerted a strong influence on the government, leading the government to create a welfare state that took over many of the nonprofits’ social welfare functions. Corporatist countries had elite-controlled governments that succeeded in coopting the nonprofit sector, providing social services in a way that maintained class distinctions and kept the sector under state control.

As the chapters in this book show, the corporatist category contains great variation, with the government dominant in some countries and the nonprofit sector relatively powerful in others. In Austria, nonprofits began to play an active political role in the late 19th century. Under Nazi rule, the government dominated the nonprofit sector, but nonprofits reconstituted themselves after World War II as allies of either the Social Democratic or the conservative People’s Party. In Ireland, the close association between the government and the Catholic Church led the government to assign social welfare provision to a small number of church-sponsored charities, preventing the development of a secular nonprofit sector until recently. In France, nonprofits were outlawed throughout the 19th century, but during the 20th century their relationship with the state ‘evolved from distrust and confrontation to complementarity’ (Gautier, Pache, & Mossel, this volume). In Israel, the nonprofit sector was first associated with the Zionist movement’s desire to create a Jewish state in Palestine. When this effort succeeded, nonprofits allied closely with the state, creating a corporatist regime that has become less state-dominated and more confrontational over time.
Do the histories of present-day wealthy democracies allow us to predict the future of present-day developing states? In other words, are developing states at an earlier stage on the same path, or are they likely to follow a different path of development of the nonprofit sector? On the one hand, most developing countries do not have a Christian, European culture and history, so their development will likely differ from that of Western European countries. On the other hand, developing countries exist in a world in which strong welfare states and nonprofit sectors already exist; thus, the wealthier countries influence their development, both directly through funding and indirectly through norms and culture.

The most obvious way in which the existing nonprofit sector in wealthy countries affects the development of the nonprofit sector in less wealthy countries is through direct funding. The chapters on South Korea and Taiwan describe how international funding has helped create local nonprofits, which continue to flourish even after these two countries have reached higher levels of development and international funders have pulled out. In Lebanon, international giving from governments, Western nonprofits and the Lebanese diaspora makes up a large part of local nonprofits’ funding, and donations from citizens in other countries is also important in Mexico and the Caribbean. Finally, one reason that the governments of Vietnam and China created their own nonprofit organizations was to facilitate the receipt of money from foreign donors, who wanted to fund and collaborate with local nonprofits.

Direct international assistance does not always succeed in creating an indigenous nonprofit sector. Infusions of international funding did not have a lasting positive effect in Bulgaria and the Caribbean, in which many local nonprofits disappeared when international funding disappeared. For Russia, the history of communism extends longer than other Eastern European countries, beyond all historical memory of nonprofit institutions; as such, the collapse and slow recovery of the Russian economy after communism prevented the nonprofit sector from developing as it did in other Eastern European countries. As Nezhina and Ibrayeva (2013) demonstrate in their analysis of Kazakhstan, simply providing external funding cannot create an effective nonprofit sector in a country where there is no domestic culture or tradition of the nonprofit form.

A less obvious way in which the existing nonprofit sector in wealthy countries may affect the development of the nonprofit sector in poor countries is the spread of global norms and culture. Poorer countries look to wealthier ones for good ideas on how to develop their economy and society; while organized charity and mutual assistance is a feature of almost every society, the formally organized nonprofit is associated with Western culture. Many government and private actors in the developing world perceive the nonprofit form as a useful
one and decide to bring that form to their own country. Boli and Thomas (1997) note how the number and diversity of international nongovernmental organizations has increased over the last century, illustrating the spread of the nonprofit form as a global cultural norm. Bieri and Valev (this volume) note how international culture affected domestic traditions in Bulgaria, where the development of the nonprofit sector occurred from the top down through ‘international organizations that channel best practices.’

As the nonprofit organizational form has spread from the industrialized world to the developing world, governments have had to decide how to respond. Heurlin (2010) notes that the existence of a nonprofit sector can pose a threat to non-democratic states, as nonprofits create a space for independent citizen participation, compete with the government in the provision of services, and sometimes advocate directly for political rights and policies. Non-democratic governments can use an exclusionary strategy to respond to this threat, either outlawing nonprofits or severely restricting their operation. Governments can also follow a corporatist strategy, trying to coopt the sector and turn it into an arm of the state. Heurlin further proposes that different types of states prefer each type of strategy, with personalist dictatorships tending to outlaw the nonprofit sector and one-party states trying to coopt it. Since personalist dictatorships have a narrow base of support and use force to stay in power, they lack the broad public support that would allow them to put allies and supporters in positions of power in nonprofits, so they tend to follow an exclusionary strategy. One-party states can effectively mobilize party members to get involved in nonprofits, making a corporatist strategy advantageous for them. The exceptions to this rule are one-party states that follow a socialist economic strategy. As socialist ideology views government as the sole provider of all social goods, such countries find no reason for a nonprofit sector to exist. When single party socialist countries convert to a semi-market economy, they are well situated to start a government-controlled nonprofit sector.

Historically, the Soviet Union, other formerly communist countries, and France outlawed the nonprofit sector entirely, but this exclusionary strategy is less common today and adopted by none of the countries described in this book. Most non-democratic governments attempt to control the nonprofit sector through a corporatist strategy. Of the countries in this book, the most successful have been the one-party states of Taiwan, China and Vietnam, whose success Heurlin (2010) describes in detail. In Taiwan, an ‘ideal case of corporatist strategies’ (Heurlin, 2010, p. 234), the ruling nationalist party established its own government-controlled non-governmental organizations in the 1950s, using regulatory statutes to repress some existing nonprofits and coopt others. China and Vietnam are one-party communist states that liberalized their
economies in recent decades without liberalizing their political systems. By creating and funding their own nonprofits, regulating non-government sponsored nonprofits and suppressing those that make too direct a political challenge to the state, the governments of Vietnam and China have managed to foster the development of a substantial nonprofit sector that remains firmly under state control. The people of China and Vietnam seem to support this solution, as indicated by the fact that government-controlled NGOs and the governments themselves are some of the main recipients of private charity (this volume).

However, other countries have less successfully moved from an exclusionary strategy to a corporatist one. In Egypt, the government nationalized charities along with much of the private sectors in the 1950s, but then allowed private charities to operate again as part of a general liberalization strategy beginning in the 1980s. Despite attempts to implement a corporatist strategy of control over the nonprofit sector, the government lost control of civil society in the events leading to the overthrow of President Hosni Mubarak. The new rulers of Egypt seem to regard many nonprofits as a threat and have thus adopted exclusionary strategies toward some of them, particularly those that receive foreign funding. In Indonesia, the Suharto regime tried to control nongovernmental organizations but did so ineffectively (Heurlin, 2010), and the political advocacy of these organizations contributed to the regime’s overthrow.

One interesting common theme among the country chapters is how natural disasters can create a challenge to the state and an opportunity for the nonprofit sector. In Mexico and Japan, the failure of the government to respond effectively to earthquakes created widespread popular discontent with government domination of relief assistance, while grassroots efforts to help survivors showed how voluntary action can succeed where government failed. In both countries, the earthquakes spurred reforms to government policy, allowing the emergence of new nonprofits, which people supported with donations. In China, however, people perceived the government’s response to the 2008 Wenchuan Earthquake to be effective, as the majority of citizens donated money to the government’s relief efforts, not to nonprofits.

The other developing countries profiled in this volume show great diversity in how their nonprofit sectors have developed. Mexico’s one-party state adopted a corporatist strategy throughout most of the 20th century, but opportunities for nonprofits have expanded with the country’s transformation to contested elections in the 1990s. South Korea has followed a rapid path to a developed nonprofit sector, having almost no domestic charitable giving during its period of dictatorship, the country quickly developed a nonprofit sector after its economy boomed and its political system became democratic. The authors of the South Korea chapter label it as corporatist, but their description indicates that the relationship between the government and nonprofits is more collaborative than state-controlled. The nonprofit sector’s access to
international funding during its formative years may have helped it become more independent of state control.

While private giving to government agencies may occur as the result of a government’s successful domination of the nonprofit sector, it can also occur in countries where the government is weak. In these cases, donations seem to indicate donor support of the effectiveness of government institutions but lack of confidence in the government’s ability to fund them. In Bulgaria and some Caribbean countries, private donors fund government-run hospitals, schools and museums because they know the government is not able to do so itself.

Finally, non-democratic countries do not always follow a smooth upward path in the development of a nonprofit sector. Hong Kong had developed along liberal lines until 1997, when the colony’s return to China overturned the formerly friendly relationship between nonprofits and the government, halting much of the government’s funding of the sector. In Lebanon, nonprofits provide basic services independent of the government using foreign aid and diaspora contributions, because they do not have confidence in the government’s ability to provide this assistance itself. In Russia, economic crisis and the failure of the country to develop a truly democratic system has prevented the nonprofit sector from growing.

How can one classify the diverse outcomes of developing countries? By development, one can mean economic development from poverty to wealth, and political development from dictatorship to democracy. When countries progress both economically and politically, they develop robust nonprofit sectors, as South Korea has done and Taiwan is beginning to do. When countries progress economically but remain single party states, they develop government-dominated corporatist sectors, such as in Vietnam and China. When countries fail to develop in either area, the nonprofit sector stagnates as it has in Russia and Bulgaria, or remains dependent upon international funding as it has in Lebanon. The size and composition of the nonprofit sector should have an effect on charitable donations, but there is not enough data on enough developing countries in this volume to test this relationship statistically.

For currently developing countries, it seems most will follow a corporatist model as their economies and political systems develop and their nonprofit sector grows. In Esping-Andersen’s and Salamon and Anheier’s typology, liberal states developed a welfare state and nonprofit sector after the development of democracy, while social-democratic states took over the provision of welfare services early, under the influence of a strong labor party. In some other states, the government banned or greatly restricted the operation of nonprofits. Presently, most developing governments are following a corporatist model, trying to reap the benefits of a nonprofit sector while keeping it under the political control of the state. In states with weak governments and significant outside funding, as in Lebanon, the nonprofit sector may develop along liberal lines.
Socialist states that develop politically enough to embrace democracy, while developing economically enough to fulfill socialist promises to provide welfare benefits, may eventually become social-democratic, although they seem more corporatist now.

5. Conclusion

This chapter tested predictions derived from Salamon and Anheier’s social origins theory on cross-national differences among wealthy democracies in the probability of donating money and the amount donated. It found only partial support for their theories. People living in liberal democracies were not more likely to donate money than people in social-democratic or corporatist countries, but they did donate larger amounts. People in liberal democracies did not donate more to social welfare charities, but people in social-democratic countries were more likely to donate to expressive causes. Against expectations, corporatist countries had more nonprofits per capita than liberal or social-democratic countries.

This chapter also applied historical analysis to present-day developing countries, treating them as if they were at an early stage on the path of development of a nonprofit sector. The governments of most of the developing countries covered in this volume are pursuing corporatist strategies, in an attempt to reap the benefits of having a nonprofit sector to help with service provision while preventing the sector from becoming a political threat. While corporatism seems to be the dominant strategy, it is possible that a liberal regime may emerge in poor countries with weak governments and strong international funding, or that a social-democratic regime may emerge in formerly socialist states that develop economically and politically into a democracy.

Overall, the general strategy of social origins theory is a powerful one, but Salamon and Anheier’s use of that strategy is theoretically incomplete and receives only modest empirical support. Future research on the history of the nonprofit sector in wealthy countries should examine the role of ethnolinguistic diversity, the timing of state formation and above all the role of religion and the relationship between church and state. Future research on the nature of the nonprofit sector in developing countries should use the history of developed countries as a guideline. This research should keep in mind the religious and cultural differences between Europe and the rest of the world, but also should account for the strong influence that the nonprofit sector in the developed world may have on the nonprofit sector in developing countries. Greater understanding of the historical origins of the nonprofit sector will allow for better explanations of current differences in individual philanthropy in wealthy democracies and better predictions of the future role of individual philanthropy in developing countries.
References


1. Introduction

In discourse about the relationship between government support to the nonprofit sector and private philanthropy, some scholars would endorse Nobel laureate Milton Friedman’s hypothesis in his *Capitalism and Freedom* that a country’s welfare system can ‘poison the springs of private charitable activity’ (Friedman, 1980, as cited in Pan, 2010) with the reality in many countries. Nevertheless, counterexamples are easy to find. For instance, in Ireland – where nonprofit revenue derived from public sector income is very high (77.2 percent) – the philanthropic sector has consistently been ranked among the top three globally, according to the 2012 Gallup’s World View World Poll. In this chapter, the relationship between government funding level and private philanthropy is explored to understand how government support influences private giving (if at all), and what patterns of philanthropy emerge from this analysis.

Across the countries presented in this book, there is a varying degree of government support for the nonprofit sector. Government support, in this context, is based on monetary terms: it is the nonprofit revenue that is derived from the public sector in different forms, including grants, subsidiaries and payments for services rendered. Just as the level of state welfare and the relationship between the state and nonprofit sector vary across nations, so too does the level of government support to nonprofits. This chapter approaches the topic from two angles: the amount of money each government contributes to nonprofits, as a percentage of their total revenue, and the percentage of a country’s population giving money to charities. The limitations to this analysis include, but are not limited to the following: not all of the countries presented in this book use the same standard to calculate social public expenditure (e.g., government contracting of nonprofit services is seen as a form of support in some cases and
a form of exchange or payment in other cases); the same data, which could be used for comparison, is not available for all of the countries that are presented in this book. Where that was the case, the degree of a nonprofit’s reliance on public spending and government support is assessed in terms of regulations. Such limitations make precise comparisons challenging.

Except for six countries that do not have available data on one of these two variables and hence were not included in the diagram. Figure 30.1 shows that the correlation between the two variables is positive and nonlinear ($r = 0.31$, at $p \leq 0.01$). There are two clusters denoting two patterns of the relationship between levels of government financial support to nonprofits and philanthropy:

(i) The higher the percentage of nonprofit revenue that comes from the public sector, the more people in that country give to charities.
(ii) A modest percentage of nonprofit revenue coming from the public sector attracts a modest to moderate level of private giving.
Notably, few countries fall far outside the trend line, having the following characteristics:
(iii) The nonprofit sector receives a minority of revenue from public sector (2 percent) and attracts very high private giving (73 percent).
(iv) The nonprofit sector receives a majority of revenue from public sector (58 percent) and has a relatively modest level of private giving (31 percent).

The following sections will take a closer look at these trends.
### Table 30.1 The relationship between government financial support for nonprofits and philanthropic giving

<table>
<thead>
<tr>
<th>Country</th>
<th>% of people in a country making a charitable donation</th>
<th>% of nonprofit revenue derived from public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>72</td>
<td>77</td>
</tr>
<tr>
<td>Netherlands</td>
<td>77</td>
<td>59</td>
</tr>
<tr>
<td>France</td>
<td>31</td>
<td>58</td>
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<tr>
<td>Canada</td>
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<td>50</td>
</tr>
<tr>
<td>Israel</td>
<td>51</td>
<td>48</td>
</tr>
<tr>
<td>Lebanon</td>
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<td>43</td>
</tr>
<tr>
<td>Norway</td>
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<td>36</td>
</tr>
<tr>
<td>Finland</td>
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<td>36</td>
</tr>
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<td>Switzerland</td>
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</tr>
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<td>Australia</td>
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<tr>
<td>South Korea</td>
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<td>United States</td>
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<td>Russia</td>
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<tr>
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<td>Japan</td>
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<td>Indonesia</td>
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<td></td>
</tr>
<tr>
<td>Caribbean</td>
<td></td>
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</tbody>
</table>

Source: % of people in a country making a charitable donation: Charities Aid Foundation, 2010; % of nonprofit revenue derived from public sector: individual country chapters, this volume.

### 1.1 Government funding as a major source of income for the nonprofit sector

In general, governments in developed countries have high levels of welfare and serve as major donors to their respective nonprofit sectors. In most of these countries, government support comes in the form of contracts whereby nonprofits deliver specific services to society, such as education and health care. These states rely on the nonprofit sector to provide services, some more heavily than others, and the nonprofit sector plays a supplementary role to the government.
Dominant among this group are representatives from Europe, such as Ireland, the Netherlands, Austria, Norway and Switzerland, as well as the countries of Lebanon and Canada. In these nations, the voluntary philanthropic sector plays a complementary role to government in providing key public goods. Although it is not clear whether this situation is the result of strong government support, philanthropy is believed to be motivated through the sense of sharing civic responsibility.

In Canada, federal government funding to the core nonprofit sector has increased over the past several years (Statistics Canada, 2009). Meanwhile, Canadians are most likely to give to health organizations (57 percent) and social services (43 percent), which are key areas that receive public funding.

In the same vein, Switzerland complements the state in providing social services, development aid or support for the arts, based on the principle of subsidiarity. Despite increasing government spending on social services, the country’s liberal tradition has established a strong sense of civic responsibility. The nonprofits maintain a high degree of autonomy in both agenda setting and financing. A liberal legal framework that is simple to use in practice, a population with dispensable wealth and an international perspective have altogether stimulated individual, corporate and foundation philanthropy.

Individual giving in the Netherlands, however, suggests a different trend. With a nonprofit sector that is largely reliant on public sector income and also attracts high private giving, citizens are discouraged to participate in areas where the government already plays an important role, such as in education, public health and public welfare programs. This trend is also true in Austria and Finland. People in these three countries typically donate to nonprofit organizations that are active in areas that are not considered the core responsibility of the state. Thus, strong state involvement in certain areas is in fact an inhibiting factor to philanthropy in those areas.

Similarly, in Germany, the percentage of people that makes charitable donations is less than other developed countries. Those with high income donate a smaller portion of their earnings in comparison to low-income people since they already pay high taxes and believe that their tax money goes toward public social expenditures (Mews & Boenigk, 2013). This relationship may explain why the nonprofit sector in Germany relies much more on public funding as compared to other industrialized countries (Salamon, Sokolowski, & List, 2003).

Among the countries with high levels of government contribution to nonprofit revenues, France has a lower percentage of households taking part in giving. Philanthropic giving is not viewed as part of an individual’s civic duties, even though France offers tax incentives for philanthropy. Austria similarly offers a high income tax deduction on charitable donations, yet no positive increase in giving has been observed.
Meanwhile, Finland lacks fiscal incentives for individual donations, which is seen as a potential inhibiting factor of philanthropic giving. However, such incentives perhaps would not have an impact on giving due to Finnish respect for altruistic motivation in matters of philanthropy.

Comparable to these developed countries in Europe are their counterparts in the Asia Pacific and Middle East, including Australia and Israel where government funding accounts for 33.5 and 47.5 percent of nonprofit revenues, respectively. Israel’s government has a strong control over the nonprofit sector which faces difficult, cumbersome regulations, tax rules and limited freedom of action. In 2011, private philanthropic funding in Israel contributed 18.7 percent (including diaspora giving) of nonprofit revenues. With dramatic changes in society, economy and politics in mid-late 1970s, local philanthropy has grown dramatically, both in scope and diversity. The government boldly acted to encourage philanthropy in February 2008, when it redefined and improved the relations between government, civil society, and the business sector.

The rising philanthropic sector in Taiwan shares similar traits. While government funding on social welfare is the second largest (and increasing) source of revenue for nonprofits, the Taiwanese have not lowered their donations. Studies suggest that individuals’ giving in the country generally increased with their income, religious affiliations, religious attendances and general trustworthiness in a society, unaffected by the level of government support to nonprofits.

In South Korea, donations from individuals, corporations and foundations combined account for only 4 percent of civil society organizations’ income, while funding from the public sector, which includes grants, contracts and reimbursements for services, accounts for 24 percent (Park, Jung, Sokolowski, & Salamon, 2004). This limited philanthropy results from people’s habit to give directly and a young philanthropic sector, which began after the successful economic transformation in the late 1980s. With the government recently acting to institutionalize new planned giving programs and create new laws to strengthen philanthropy and the nonprofit sector, the country’s philanthropic sector is expected to thrive in the years to come.

1.2 Government support as a minor source of nonprofit revenues

Limited government support among the countries studied may result from a small government in the context of a vibrant nonprofit sector. It may also be the consequence of the limited public social-welfare state that preserves a strong sense of control over nonprofits. In the former case, government exhibits a liberal regime, giving more freedom for nonprofits and civic responsibility. Meanwhile, the latter maintains high constraints on the activities of nonprofits. Along with these trends, each country’s unique characteristics bring about varied giving tendencies.
1.2.1 Strong government control, informality and distrust limit philanthropic growth

Contrary to most of their counterparts in Europe and parts of the Asia Pacific, nonprofits in many Asian countries do not enjoy as much support from the government, both in terms of funding and regulations. Government spending in these countries is generally modest, and the relationship between the state and nonprofit sector is limited. Distrust is a big issue affecting people’s motivation for giving. Thus, the philanthropic landscape is nascent and less structured. Philanthropy in these countries relies primarily on the giving cultures and traditions rooted in their histories.

In the case of Mexico, the government’s unfinished democratic transition caused a lack of any systematic policy toward the sector, thus creating ‘a country that has not yet defined what it wants the role of citizens in the public sphere to be, and that does not know for certain what to expect from civil society’ (Ablanedo, 2009, p. 2). With public expenditure at 7.2 percent of GDP and support from government at 8.5 percent of nonprofit revenues, the size of the nonprofit sector and government social spending are limited – the lowest among OECD member nations. Meanwhile, Mexicans are moderately active in giving (25 percent of population) and strongly prefer to help others directly rather than channel their philanthropy through institutional means. The informality, unfavorable legal and fiscal framework and distrust of the nonprofit organizations all contribute to this trend.

With regard to the Caribbean region, most countries spend less than the 20 percent on public social spending. In fact, some philanthropic donors fund government delivery of community services. Nonprofits’ lack of capacity and ability to deliver quantifiable impact is viewed as a barrier to philanthropic giving and donor confidence. People give most to religious institutions and schools. The regional average for the four countries was 35th of 146 on the World Giving Index in 2012 (CAF, 2012), with the highest scores for participation in ‘helping a stranger,’ consistent with the region’s cultural practice of mutual support.

Similarly, in Indonesia, the state’s relationship with nonprofit organizations is limited, although the Suharto government emphasized the importance of working with nonprofit organizations on development priorities in education, health, environment and other sectors in order to share the full costs of such programs and activities (Antlöv, Ibrahim, & van Tuijl, 2005). A recent survey revealed that 65 percent of Indonesian civil society organizations revenues come from international sources and 35 percent from domestic sources. The domestic revenues are mainly derived from earned income activities and interest on endowment funds. Only a small portion comes from individual giving. Religion is a key motivator of giving for Indonesians. After the 2008 financial crisis, the government shifted its attitude
toward local NPOs, increasing its funding for them to provide services to the unemployed.

In Vietnam and Russia, trust is a major concern in individual giving. Strong government control over nonprofits and a lack of government support financially and legally makes it challenging for the philanthropic sector in Vietnam to grow. In Russia, although public expenditure for social needs has tripled over the past seven years, the long Communist era has left the state wary of the third sector's participation in politics, making the relationship between the state and nonprofit sector less than ideal. Because citizens are poorly informed of nonprofit work and the sector lacks infrastructure, only a minor portion of private donations is channeled through nonprofits but rather exists mainly in non-institutionalized forms. Private donations from individuals and corporates make up 15 and 8 percent, respectively.

1.2.2 Freedom for civic responsibility and institutionalized giving mechanism promote active philanthropy

In the United States, government funding accounts for 9 percent of nonprofit revenues, yet gives other support in the form of grants for service provision and tax breaks. The government’s weak role in regulating both nonprofits and religion (an important factor in American giving) contributes to the strength of the nonprofit sector and high participation in charitable giving. Compared to other industrialized countries, the government does much less in redistributing wealth from the rich to the poor, leaving wealthy people with plenty of income to donate. As inequalities of wealth and income increase in the United States, the nonprofit and philanthropic sectors are expected to continue growing in size and importance to provide services that the government does not.

Operating in a semi-democracy, Hong Kong enjoys a relatively high level of autonomy vis-à-vis society. The state has a rather low level of commitment to welfare provision, although it is the major source of support for NGOs. At the same time, NGOs are very active in a few selected areas of social welfare provision. Hong Kong’s people are willing to give, with a tradition of informal and anonymous giving (Economist Intelligence Unit, 2011). Furthermore, other than the traditional form of check writing, a variety of new types of philanthropy now exist. Impact investment, social enterprise, values-based investment, social business and venture philanthropy are all options available to philanthropists in recent years. The government also encourages these new forms of giving.

1.3 The outliers

In some special cases, countries have their own specific characteristics, denoting that the nature of their relationships is much more complex and may depend on many other elements. Across the countries studied, the UK government
spent the most on public expenditure, though private contribution to the nonprofit sector is much more modest than other industrialized countries (2 percent of nonprofit revenues). In spite of the existence of a strong welfare state, contemporary UK donors continue to support a vast and diverse array of activities in areas ranging from the arts to social welfare to scientific research. Government grants and contracts, in this case, help leverage private contributions by signaling to donors that the organization is reputable. Philanthropy in the United Kingdom has continued to play an important part in supplementing and extending state provision.

**Government competition.** In the cases of Israel and China, the government competes with nonprofits for funding. The government has its own fundraising arm competing for donation dollars and volunteers, thereby challenging growth of the nonprofit sector. In a similar way, Bulgaria has a sizable nonprofit sector with limited government support. Social protection expenditures accounts for 15 percent of the country’s GDP, compared to the EU average of 26 percent in 2008. According to the 2005 Bulgarian Center for Non-Profit Law study, government subsidies make up about 8 percent of the revenue of Bulgaria’s nonprofit organizations. The recent financial crisis has lessened state funding for nonprofits and increased dependence on private philanthropy to deliver public services. Most of the country’s charitable giving, individual and corporate alike, goes to state institutions, such as schools, hospitals or museums (CSD, 2010; BDF, 2012). In 2010, only 38 percent of individual giving went to nonprofit organizations and less than 17 percent of companies donating to charity gave to NGOs.

In China, despite the fast growth of NGOs, the nonprofit sector is still largely dominated and constrained by the state. Aside from the government’s deep intervention in nonprofit work, it also is the main donation receiver. Nonprofit revenue from government was 4.8 percent in 2009 and 0.8 percent in 2010. Individuals and enterprises account for 80 percent of nonprofit funding, which suggests a strong tradition of charitable giving among the Chinese. With the nonprofit sector expanding, more private foundations emerging and the state increasingly stretching thin in providing social services, a more diversified philanthropic industry in China is expected to develop.

**Political philanthropy?** Sometimes philanthropic behavior does not reflect its true nature. In Lebanon, some philanthropy is driven by politics. Many political parties in Lebanon are linked with a specific religion; therefore, most philanthropy in Lebanon is sectarian in nature. Many of the major political and religious groups in Lebanon form philanthropic organizations to solicit donations, gain their followers’ loyalty by dispersing goods and services to them and ‘buy’ votes during elections.

**Mind your own business.** Despite a high level of public welfare spending, the nonprofit sector in Norway does not rely heavily on public sector
income. This source of funding accounts for 36 percent of nonprofit revenues, while gifts make up 7.5 percent and sales, fees and charges make up 56.5 percent. Philanthropic contributions take a small portion of Norwegian nonprofit revenues. The self-reliance of the nonprofit sector is due to several aspects of Norwegian history, predominantly the culture of ‘everyone does their duty.’ Wealthy people think that giving away donations is not necessarily a good deed, and thus have strong sentiments against charity. However, Norwegians are active in volunteering, which provides a source of income for nonprofits. As the government is applying best practices in philanthropy from other developed countries, the philanthropic sector in Norway is expected to evolve.

2. Conclusion

Across the countries included in this volume, a positive, nonlinear relationship between government financial support to the nonprofit sector and private philanthropy exists. The relationship between the two sectors comes in different forms in different countries; therefore, understanding their influences on one another is a lot more complex than examining these two components alone. With regard to giving, other factors – such as culture, regulatory environment, income, perception – also play a role. With some exceptions, the following trends are observed across nations, although they by no means imply a conclusion of causation:

(i) The higher the nonprofit revenue come from the public sector, the more people in that country give to charities.
(ii) In countries where relationship between the government and nonprofit sector is complementary, in which the state relies on the nonprofits for service provision, philanthropy is motivated by the sense of shared civic responsibility. Exceptions are the cases of France, where philanthropy is not seen as civic duty, and Germany, in which wealthy people perceive paying taxes as doing their share.
(iii) In countries where the government has substantial control over the nonprofit sector, government contribution to nonprofit sector is modest. The philanthropic sector struggles to thrive due to trust issues, lack of infrastructure that promotes giving and citizens uninformed about nonprofit work.
(iv) In countries where nonprofit revenue derived from the public sector is modest, but the legal environment is open and supportive to nonprofit work, private philanthropy tends to be high or presents great potential for growth.
For the philanthropic sector to thrive, an ecosystem supporting individual and institutional giving is needed. The role of government in this case is key, whether it directly supports better policies or indirectly enables an environment for nonprofit work to be better recognized by citizens. As new trends emerge in the developing world, sector boundaries are blurred. Thus, communities are changing the ways they address challenges to include new forms of philanthropy, such as social enterprise, impact investing and venture philanthropy – thereby changing the face of giving. The nonprofit sector will need support from the government, as well as the private sector, to leverage resources for sustainable impact in this increasingly interconnected time.

References


The Influence of Fiscal Incentives on Philanthropy across Nations

Michael D. Layton

1. Introduction

As Hondius (2004, p. xi) observes, ‘Tax treatment is the barometer of the high or low esteem in which States hold the voluntary sector.’ At first blush it seems that most nations around the globe, including those discussed in this volume, hold their voluntary or nonprofit sectors in relatively high esteem, as evidenced by the near universality of their exemption from the payment of income taxes and the provision of fiscal incentives to promote donations. But in this theme, the devil is in the details: how many organizations are eligible for deductible donations? How beneficial are the fiscal incentives to donors? What impact do fiscal incentives have on philanthropy? And, more generally, what impact does a favorable fiscal environment have on the development of a nation’s nonprofit sector?

Fiscal incentives to promote philanthropy have recently received much attention in the press as they have come under question in two of the nations where they have the highest documented impact upon giving: the United States and the United Kingdom. In the United States, this debate is as old as the income tax itself, dating back nearly a century (Thorndike, 2013). In the midst of an ongoing battle over how to balance the federal budget, key committees in US Congress have held hearings and published reports on the efficacy and desirability of the tax deductibility of donations (House Committee of Ways and Means, 2013a & 2013b; Senate Finance Committee, 2013). These hearings have generated a spirited defense from representatives of the nonprofit sector. In March of 2012, the UK’s Conservative government’s Chancellor of the Exchequer, George Osborne, announced that the budget package was to include limits on the deductibility of donations, which received a critical reception among advocates for philanthropy and the nonprofit sector (Guardian Professional, 2013). The backlash was so severe that the government soon backed down and let the practice of unlimited deductions stand.
These controversies underscore that there is universal agreement among charities and their advocates on the importance of fiscal incentives to promote donations. However, as this chapter will demonstrate, there is much variation in the fiscal incentives between nations and much debate over the scale of their impact upon giving and society. This brief chapter will first provide an overview of the rationales for fiscal incentives and then turn to a discussion of the fiscal incentives provided by the countries participating in this volume. The chapter will conclude by addressing the question of impact: how do fiscal incentives influence philanthropy, in terms of donors and the development of the nonprofit sector?

It is important to acknowledge that in most countries the tax system has ‘a central role in the nourishment and regulation of the charitable sector’ (Simon, Harvey, & Chisolm, 2006, p. 267). As discussed in the rest of this chapter, states that hold their nonprofit sectors in high esteem and offer more favorable tax treatment tend to have larger sectors, while those that hold their sectors in lower esteem and have less generous tax policies tend to have smaller sectors. In other words, tax treatment is a fairly reliable, although not infallible, barometer for measuring the relationship between states and nonprofit sectors.

2. The rationales for fiscal incentives

In their Guidelines for Laws Affecting Civic Organizations, the Open Society Institute (OSI) and the International Center for Not-for-Profit Law (ICNL) endorse the granting of tax exemption to public benefit organizations, especially for donation income, and recommend legislating ‘reasonably generous’ fiscal incentives for donations (Irish, Kushen, & Simon, 2004). Although the two practices are interrelated, as tax exemption of organizations generally goes hand-in-hand with their eligibility for deductibility, this chapter will focus mainly on the latter.¹

Benshalom (2008) identifies two distinct rationales for the deductibility of donations.² First, fiscal incentives for donations are justified because they encourage ‘more and/or better spending on public goods.’ This justification in turn rests on two ideas: ‘some public goods require more spending than what is provided to them by the tax-spending process,’ and ‘spending by NPOs is in many cases more efficient than government spending.’ Second, deductibility of donations is ‘desirable because it allows taxpayers to vote with their dollars and to express their preferences over the proper allocation of public goods in society.’³ This is a desirable response to the pluralism inherent in heterogeneous societies (Ferris, 1998, p. 140).

Additionally, Benshalom elaborates that fiscal incentives for philanthropy are ‘a political mechanism that shifts some of the authority and responsibility of allocating public funds from the majority decision-making process to
individual donors’ (2008, p. 2). He goes on to argue that ‘This participatory aspect allows the Charitable-Relief scheme to somewhat remedy a few of the democratic spending process’s vital imperfections, such as the inability to voice and address a wide variety of spending preferences.’ However, this delegation of responsibility retains its legitimacy only ‘under very stringent conditions. In order not to undermine the democratic process, Charitable-Relief must be: (1) distributed equally and (2) capped quantitatively and qualitatively so that it can only modify but not ultimately undermine the majority’s spending decisions’ (Benshalom, 2008, p. 5). We will return to this point in the discussion of the impact of fiscal incentives.

3. Fiscal incentives in the countries studied

Table 31.1 helps discern patterns in the provision of fiscal incentives in the countries studied. In general, the information for each country is taken from its corresponding chapters. If additional information was required, other sources were consulted, as reported in the notes for the table. The table highlights three main factors for consideration:

**Sector.** The three columns here indicate the approximate size of the sector (as reported by the chapter author), the percent of GDP the sector represents (including all sources of revenue, as reported in Salamon, 2010) and the regime classification according to Salamon and Anheier (1998). This information is given in order to provide additional context in interpreting the impact of fiscal incentives. The corporatist and social-democratic countries in Europe tend to have large sectors, as their states generally provide funding for nonprofits; this is not the case in non-European corporatist and social-democratic states (China and Egypt). These results are consistent with Sokolowski’s (2013) insight that philanthropy and government support are often complementary. Statist regimes tend to have fewer incentives and smaller sectors, with Japan being a notable exception, and liberal regimes tend to have more generous incentives and larger sectors.

**Donors.** These three columns describe the tax system as it affects donors. Almost all of the countries included have progressive tax regimes, which are sometimes combined with a federal system of taxation. Federalism often adds another level of complexity to donations and tax exemptions, as policies at the national and state levels often lead to some sub-national entities offering more generous incentives, as is the case in Switzerland. Two nations, Bulgaria and Russia, have flat tax regimes.

The second column indicates whether donations are deductible, and if tax credits are offered: deductibility means that donations reduce the amount of taxable income, while tax credits directly reduce the amount of tax paid. Only Canada, France and Israel offer tax credits, a policy that mitigates the extent
<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>JHU % GDP</th>
<th>Size of sector</th>
<th>Tax system</th>
<th>Deductible donations</th>
<th>Restriction on donor deductibility</th>
<th>Number of NPOs eligible</th>
<th>Broad or narrow eligibility</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Large</td>
<td>7.8</td>
<td>Corporatist</td>
<td>Progressive</td>
<td>Yes</td>
<td>10% income</td>
<td>Large</td>
<td>Broad</td>
<td>Eligibility was greatly expanded in 2009. In 2011 the ‘Austrian Accreditation Seal for Donations’ was created to boost donor trust. Cultural inhibition to talk about wealth and philanthropy. Has church tax.</td>
</tr>
<tr>
<td>Australia</td>
<td>Large</td>
<td>8.8</td>
<td>Liberal</td>
<td>Progressive, Federal</td>
<td>Yes</td>
<td>None</td>
<td>Large</td>
<td>Broad</td>
<td>In 2012 the Australian Charities and Not-for-Profits Commission was established. Donations to religious entities are not deductible.</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Small</td>
<td>Not included</td>
<td>Statist</td>
<td>Flat</td>
<td>Yes</td>
<td>65% income</td>
<td>Small</td>
<td>Narrow</td>
<td>Public policy seems to favor state-related organizations. There is a sliding scale of deductibility, depending on the recipient: 5%, 15%, 50%.</td>
</tr>
</tbody>
</table>
Table 31.1  (Continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Donors</th>
<th>Organizations</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Canada</td>
<td>Large</td>
<td>12.3</td>
<td>Liberal/Social-Democratic</td>
<td>Progressive, Federal</td>
</tr>
<tr>
<td>5. China</td>
<td>GONGOs, NGOs fewer</td>
<td>Social-Democratic</td>
<td>Progressive</td>
<td>Yes</td>
</tr>
<tr>
<td>6. Egypt</td>
<td>Small</td>
<td>3.2</td>
<td>Corporatist</td>
<td>Progressive</td>
</tr>
<tr>
<td>Country</td>
<td>Size</td>
<td>Score</td>
<td>System</td>
<td>Ideology</td>
</tr>
<tr>
<td>-----------</td>
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<td>-------</td>
<td>---------</td>
<td>----------</td>
</tr>
<tr>
<td>Finland</td>
<td>Large</td>
<td>5.7</td>
<td>Social-Democratic</td>
<td>Progressive</td>
</tr>
<tr>
<td>France</td>
<td>Large</td>
<td>9.0</td>
<td>Corporatist</td>
<td>Progressive</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Small</td>
<td>Not included</td>
<td>Not included</td>
<td>Progressive</td>
</tr>
<tr>
<td>Country</td>
<td>Size of sector</td>
<td>JHU % GDP</td>
<td>Salamon–Anheier classification</td>
<td>Sector Donors Organizations Notes</td>
</tr>
<tr>
<td>---------</td>
<td>----------------</td>
<td>-----------</td>
<td>--------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>10. Ireland</td>
<td>Large</td>
<td>10.9</td>
<td>Corporatist</td>
<td>Progressive</td>
</tr>
<tr>
<td>11. Israel</td>
<td>Large</td>
<td>11.8</td>
<td>Not included</td>
<td>Progressive</td>
</tr>
<tr>
<td>12. Japan</td>
<td>Large</td>
<td>7.8</td>
<td>Statist</td>
<td>Progressive</td>
</tr>
<tr>
<td>Country</td>
<td>Size</td>
<td>GNP Rank</td>
<td>Philanthropy</td>
<td>Tax Environment</td>
</tr>
<tr>
<td>-------------</td>
<td>------</td>
<td>----------</td>
<td>--------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Lebanon</td>
<td>Small</td>
<td>Not included</td>
<td>Not included</td>
<td>Progressive</td>
</tr>
<tr>
<td>Mexico</td>
<td>Small</td>
<td>2.2</td>
<td>Statist</td>
<td>Progressive</td>
</tr>
<tr>
<td>South Below average JHU</td>
<td>4.2</td>
<td>Not included</td>
<td>Progressive</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Registration and formation of an association is simple, but ICNL states that an act of parliament is necessary in order to be deemed a public benefit organization and receive limited tax benefits. Membership fees and special events seem more important than donations. Religious contributions are not counted as individual philanthropy.

The size of the informal economy mitigates the impact of fiscal incentives. Donations to religious institutions are not deductible.
Table 31.1  (Continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Size of sector</th>
<th>JHU % GDP</th>
<th>Salamon–Anheier classification</th>
<th>Sector</th>
<th>Donors</th>
<th>Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. Switzerland</td>
<td>Large</td>
<td>6.9</td>
<td>Liberal</td>
<td>Progressive, Federal</td>
<td>Yes</td>
<td>20% of income, varies based upon canton and municipality.</td>
</tr>
<tr>
<td>17. Taiwan</td>
<td>Large</td>
<td>Not included</td>
<td>Not included</td>
<td>Progressive</td>
<td>Yes</td>
<td>20% income</td>
</tr>
<tr>
<td>18. United Kingdom</td>
<td>Large</td>
<td>11.0</td>
<td>Liberal</td>
<td>Progressive</td>
<td>Yes</td>
<td>Unlimited</td>
</tr>
<tr>
<td>19. United States</td>
<td>Large</td>
<td>9.2</td>
<td>Liberal</td>
<td>Progressive, Federal</td>
<td>Yes</td>
<td>50% income</td>
</tr>
<tr>
<td>20. Vietnam</td>
<td>Small</td>
<td>Not included</td>
<td>Statist</td>
<td>Progressive</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Country</td>
<td>Size</td>
<td>Income Level</td>
<td>Political System</td>
<td>Tax Deductible</td>
<td>Tax Rate</td>
<td>Participation</td>
</tr>
<tr>
<td>-------------</td>
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<td>--------------</td>
<td>------------------</td>
<td>----------------</td>
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<td>----------------</td>
</tr>
<tr>
<td>Germany</td>
<td>Large</td>
<td>6.8</td>
<td>Corporatist</td>
<td>Yes</td>
<td>20%</td>
<td>Broad</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Small</td>
<td>Not included</td>
<td>Not included</td>
<td>Yes</td>
<td>35%</td>
<td>Narrow</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Large</td>
<td>15.9</td>
<td>Social-Democratic</td>
<td>Yes</td>
<td>Floor of 1%, ceiling of 10% of income.</td>
<td>Broad</td>
</tr>
<tr>
<td>Norway</td>
<td>Large</td>
<td>7.3</td>
<td>Social-Democratic</td>
<td>Yes</td>
<td>Deductible between US$500 and US$2,200</td>
<td>Broad</td>
</tr>
<tr>
<td>Russia</td>
<td>Large</td>
<td>Not included</td>
<td>Social-Democratic</td>
<td>Flat (13%)</td>
<td>2.5%</td>
<td>Broad</td>
</tr>
</tbody>
</table>

that higher income earners are able to deduct more for their contributions. Every nation studied, except Finland, provides fiscal incentives to individuals for giving to secular nonprofits; Finland allowed deductibility for donations to educational institutions from 2009 to 2012, but then reversed its policy. Nevertheless, like other nations, Finland permits businesses to deduct their philanthropic contributions.

A third column indicates if there are floors and ceilings on the amount that can be deducted, which are usually relative to the income of the donor but in some cases in terms of the total amount donated (such as in Ireland and Norway). In terms of limiting deductibility as a percentage of donor income, a small number of countries place no restriction (Australia, the United Kingdom and Vietnam), a few more are in the 50 percent and above range (Bulgaria, Canada, South Korea and the United States), a plurality of nations are above 10 but below 50 percent (China, France, Israel, Japan, Switzerland, Taiwan, Germany and Hong Kong) and a handful are in the 10 percent or below range (Austria, Egypt, Mexico and the Netherlands). Whether these limitations have an impact on the amount individuals donate is open to empirical investigation.

Organizations. These two columns report on two considerations. The first column reports on the range of activities eligible, from broad to narrow. For example, in the United States, the Internal Revenue Service lists the following as ‘exempt purposes: charitable, educational, religious, scientific, literary, fostering national or international sports competition, preventing cruelty to children or animals, and testing for public safety’ (Internal Revenue Service, 2013). In contrast, Mexico has a narrower list of activities that are eligible, which include some broad categories, such as social welfare, education and culture, and other narrow areas, such as private museums and libraries, educational scholarships and business school programs. In addition, Mexico requires that a government ministry issue a letter of accreditation of the activity, thus further restricting the interpretation of activities (Servicio de Administración Tributaria, 2012). The second column examines if a large or small number of organizations actually attain eligibility to receive tax-deductible donations, as compared to the universe of nonprofit organizations. In many nations, policymakers are loath to leaving donors to decide how their (incentivized) donations should be directed and therefore limit the options for donors’ generosity. In this case, the question is who selects the beneficiary of governmental largesse: the government (which has legitimacy through elections) or the donor (whose generosity toward his favorite causes receives a government subsidy). For example, liberal regimes (Australia, Canada, Switzerland, the United States and the United Kingdom) have fairly wide criteria that allow large swaths of the nonprofit sector to be eligible for tax-deductible donations. Statist regimes (Bulgaria, Japan, Mexico and Vietnam) tend to be more restrictive, with Bulgaria
and China in particular seeking to promote giving to government-sponsored or related organizations.

The ‘Notes’ section attempts to capture information not easily coded in the other columns as well as cultural or contextual factors, which relate to the impact of fiscal incentives. In many cultures, announcing gifts and claiming credit for philanthropy are frowned upon. This attitude sometimes comes from the idea that true altruism arises solely from religious or moral sentiments, yet is tainted otherwise. In other cases, this attitude is rooted in an admonition to be modest and not presume wealth. In an analysis comparing the United States with Australia in terms of print media coverage of philanthropy, McDonald and Scaife (2011) uncover national ‘cultures of philanthropy’: the US culture lauds its philanthropists and celebrates their generosity, while Australia’s egalitarian ethos downplays individual donations. The United States seems to be an outlier in that philanthropy is generally given a prominent place in the news. This key cultural difference might throw into doubt the possibility of globalizing the Giving Pledge, an effort by Bill Gates and Warren Buffett to encourage the wealthy to dedicate a majority of their wealth to philanthropy (Giving Pledge, 2013).

The general pattern that emerges is that developed nations tend to have more generous incentives offered to donors, a broader range of organizations eligible to receive tax-deductible contributions and larger nonprofit sectors. The converse of this tendency is that developing nations tend to be less generous in the deductions to donors and have a more restrictive range of activities eligible for deductible donations and smaller nonprofit sectors. This is particularly true of those emerging from authoritarian regimes, where an independent nonprofit sector is only recently beginning to develop. However, this correlation between favorable tax treatment and a large sector does not imply causation: there are a number of other factors, such as the general legal framework ‘and other political, economic or cultural factors’ (Salamon & Toepler, 2000, p. 2), particularly public funding.

4. The impact of fiscal incentives

There are four important areas of impact that fiscal incentives for donations to nonprofits have upon nations: their tax revenue, giving behavior, size of nonprofit sector and societal benefit. Each of these four elements involves an increasingly difficult challenge in measurement and precision.

4.1 Tax revenue

Any fiscal incentive implies a reduction in the tax obligation of the taxpayer, and hence a reduction in tax revenues for the state. The impact of fiscal
incentives in terms of tax revenue is the simplest and most straightforward to measure. Although most governments systematize their tax collection data, not all offer an assessment of the impact of the deductibility of donations. Here are a few examples:

- The estimated tax expenditure for the United States for 2012 is US$37.6 billion (Joint Committee on Taxation 2013, Table 2, p. 44), and this ranks the charitable deduction ‘among the largest in terms of its estimated revenue impact’ (Cordes, 2011, p. 1001).
- The Canadian Parliament estimates that in 2011 the tax expenditure for giving was US$2.2 billion (Standing Committee on Finance, 2013).4
- In Australia a legislative committee estimated that in 2007 the cost to their treasury was US$798 million (Productivity Commission, 2010).5
- In Ireland the Commission on Taxation estimated that in 2009 the charitable deduction implied a US$75 million reduction in revenue (see Chapter 15 of the present volume).6

Therefore, this reduction in revenue is justified on the grounds that a significant public good is generated via the increased philanthropy that results from fiscal incentives. This issue is addressed in the fourth subsection of this section.

4.2 Giving behavior
There is a clear consensus among nonprofit organizations and donors that the impact of fiscal incentives is positive and critically important to philanthropy. For example, in a study of 2001 survey data, Independent Sector (2003) estimated that the deduction for charitable donations increased the amount donated by tax itemizers in the United States by 37 percent. However, academics have provided mixed evidence as to their efficacy, and policymakers – ever more conscious of the need for tax collection and simplicity of the tax code – are often skeptical of their impact (including Republicans in US Congress and Conservative members of the British Parliament). The skeptics question whether the removal of these incentives will have the apocalyptic impact that their supporters predict.

Bekkers and Wiepking (2011, pp. 932–933) identify lowering the costs of donations (as well as providing benefits) as one of the eight mechanisms that drives philanthropy. The logic is straightforward: if charitable giving is analogous to making a purchase, then giving increases to that extent that fiscal incentives reduce the cost of giving. They cite more than four dozen academic studies of the effect of tax incentives on philanthropic giving over the last four decades (933). The consensus that emerges from these studies is that giving is positively affected by fiscal incentives, but the magnitude of this effect is disputable. This economic motivation needs to be balanced against the ‘warm
glove that donors feel by simply doing a good deed (Andreoni, 1990). As Simon et al. (2006, p. 294) point out, there is still more work to be done to disentangle the many motivations for giving and ‘to get inside the human ‘black box’ in order to know more about the motivational dynamics of charitable giving and volunteering.’

What seems clear is that the impact on the deductibility of donations is reserved for those who benefit from them, although research has demonstrated that across some nonprofit sectors fiscal incentives have a limited impact on the decision to donate and on the amount (Hossain & Lamb, 2012) and that the impact of incentives seems to diminish among the largest (and wealthiest) donors, for whom cost is of little consequence (Lin & Lo, 2012). Depending on the national context, those who benefit most from incentives are generally individuals in higher tax brackets, who itemize their deductions and who meet threshold requirements for giving. Colinvaux (2013), using IRS data, observes that ‘itemizers earning $100,000 or more of adjusted gross income receive 63 per cent of its benefits but represent 9.9 per cent of all returns filed and 37 per cent of returns claiming the charitable deduction’ (p. 1454). In most of the countries studied, fiscal incentives therefore have a marginal – albeit important – effect on these high-end donors, but for many generous people they do not play a significant role in their philanthropy.

4.3 Size of nonprofit sector

If the purpose of offering fiscal incentives is to generate more donations, then a favorable fiscal framework should enhance private philanthropy and lead to a larger nonprofit sector. One early study of the impact of tax incentives cast doubt on the idea that they increased philanthropy (Steinberg, 1990), but a more recent meta-analysis showed that fiscal incentives are ‘treasury efficient,’ that is, ‘a decrease in $1 in the cost of giving can be expected to result in more than $1 being donated to charity through personal philanthropy’ (Peloza & Steel, 2005, p. 267). As discussed above, the correlation between stronger incentives and a larger sector does hold, but there are too many other critical factors to claim causality.

4.4 Societal benefit

While policymakers are very precise in estimating the revenue costs of fiscal incentives for philanthropy, advocates for the sector have a bigger challenge in trying to quantify the ‘explicit and implicit value outputs’ of promoting a philanthropic culture (FGS Consulting, Irish Charities Tax Research Ltd. & Philanthropy Ireland 2009, p. i). Although the evidence presented in this brief chapter is not sufficient to warrant strong conclusions, it is fair to say that a larger nonprofit sector goes hand-in-hand with generous tax incentives for donors and an inclusive and open granting of tax deductible status.
Nonetheless, in recent years, a strong backlash against tax breaks for philanthropy has occurred, particularly in the countries where these incentives incur the greatest cost to the Treasury.

One way of considering the problem is through the prism of opportunity costs: what might a government have done with that foregone revenue? Murphy’s (2013) critique of fiscal incentives in the United Kingdom is worth quoting at length on this point:

I am not persuaded that tax incentives play a useful role in philanthropy. Those tax incentives might cost up to £2 billion a year in the UK, with much of the use of that money inevitably being dictated by donors rather than those in need. If that annual sum was instead dedicated to relieving poverty – by, say, funding a microfinance bank in the UK – might it not do more to relieve poverty than giving it in tax relief to those not in need of it? (Murphy, 2013)

The implication is that (wealthy) donors do not necessarily understand what would best help (needy) recipients or the organizations that support them. However, Murphy does not take into account the additional money that donors gave out-of-pocket.

There are at least two main complaints against the deductibility of donations, both related to Benshalom’s insight that leaving deductibility in the hands of donors can lead to undemocratic consequences. First, when the deduction is taken as a reduction of taxable income in a progressive income tax system, which is the most common scenario, those who pay higher marginal rates receive a bigger tax benefit. In the case of the United States, it is usually those who are in the higher tax brackets who take the itemized deduction for their contributions, so they receive a larger benefit.

The second critique is a result of the first: deductibility therefore subsidizes causes favored by those with higher incomes. Reich has written extensively on this problem (2005, 2013a, 2013b). In a careful review of the empirical evidence, he finds that in the United States only about a third of giving actually goes to those most in need (2013a). The other two-thirds go to churches, universities, museums and symphonies – institutions that mainly benefit the wealthy themselves, such as the schools their children attend (Reich, 2005). Put another way, ‘subsidizing private contributions to nonprofits may be as much about subsidizing the private tastes of donors as about supporting entities that serve a true social purpose’ (Thaler, 2010, cited in Cordes, 2011).

5. Conclusion

While the foregoing critiques of fiscal incentives have more to do with higher levels of giving, the focus of this volume is upon the day-to-day generosity
of people in the countries studied. Although fiscal incentives seem to nudge individual generosity and the development of the nonprofit sector in the right direction, claims that such incentives are determinant in promoting philanthropy seem to be over-stated.

As pointed out in the seminal article by Bekkers and Wiepking (2011), there are no less than eight key mechanisms that underlie philanthropic giving, and the weighing of costs and benefits is only one of them. The eight elements include: (a) awareness of need, (b) solicitation, (c) costs and benefits, (d) altruism, (e) reputation, (f) psychological benefits, (g) values and (h) efficacy. Aside from the reduction of costs via fiscal incentives and perhaps regulation of solicitation, these mechanisms seem to have little to do with public policy and speak to the varied motivations of generous people. As the chapters in this book demonstrate, each country has a unique blend of individual and contextual factors that influence charitable giving.

As stated in the beginning of the chapter, states that hold their nonprofit sectors in high esteem and offer more favorable tax treatment tend to have larger sectors, and those that hold their sectors in lower esteem and have less generous tax policies tend to have smaller sectors. Tax treatment acts a fairly reliable, although not infallible, barometer for measuring the relationship between states and nonprofit sectors. In other words, fiscal incentives do not in themselves make people generous, but are a sign of a generous nation.

Notes

1. For an elegant discussion of rationale for tax exemption see Brody 1998.
2. See also Colinvaux (2013).
3. It is important to point out that Benshalom rejects these contentions ‘on both factual and theoretical grounds’ (5), in that it is impossible to determine an optimum amount of public goods.
4. The exchange rate used is Can$1 = US$0.8798 (average exchange rate between January 1, 2011, and December 31, 2011) and the price adjustment to convert 2011 dollars to 2012 is 1.0249. Sources are www.oanda.com and www.bls.gov respectively.
5. The exchange rate used is A$1 = US$0.8385 (average exchange rate between January 1, 2007, and December 31, 2007) and the price adjustment to convert 2007 dollars to 2012 is 1.1071. Sources are www.oanda.com and www.bls.gov respectively.
6. The exchange rate used is €1 = US$1.3942 (average exchange rate between January 1, 2009, and December 31, 2009) and the price adjustment to convert 2009 dollars to 2012 is 1.0746. Sources are www.oanda.com and www.bls.gov respectively.

References


The Influence of Religion on Philanthropy across Nations

Henrietta Grönlund and Anne Birgitta Pessi

1. Introduction

Religion has been a part of human existence and communities since their earliest forms, evolving and transforming in different contexts and during different times. Its role has been central in the history of human compassion, benevolence and charity. These traits permeate all world religions and their texts, although the emphases in different religions vary. For instance, Judaism, Islam and various Oriental religions share a strong obligation to give and to help (Neusner & Chilton, 2005). The tradition of charity in the Middle East, the emphasis on hospitality in ancient Greek culture and the Jewish and Christian doctrines of loving one’s neighbor (Mäkinen, 2002, p. 10) all echo the universal principle of compassion – to treat all others as we wish to be treated ourselves.

All over the world, these teachings and values have contributed to acts of giving and caring within religious communities and organizations, which have helped, served and provided asylums for those in need all over the world throughout history. In many countries welfare services have been or are still provided by religious or religiously motivated actors and bodies, and religious organizations are central in providing assistance for nations and people suffering from crises and poverty abroad (see Neusner & Chilton, 2005; Bäckström & Davie, 2010; Pessi & Grönlund, 2012).

Religion also motivates individual acts of caring. Several studies (e.g., Hodgkinson, Weitzman, & Kirsch, 1990; Morgan, Goddard, & Givens, 1997; Lunn, Klay, & Douglass, 2001; Putnam & Campbell, 2010; Pessi, 2011) find a positive correlation between religion and different forms of prosocial behavior, including blood donation (Healy, 2000), volunteering (Lam, 2002; Yeung, 2004; Musick & Wilson, 2008;) and donating money (Clain & Zech, 1999). In relation to philanthropic giving, religious individuals donate more not only to religious
organizations but to all charitable organizations (Monsma, 2007). Prosocial behavior is especially connected with religious activity (such as attending places of worship and active membership in religious community) according to several studies (for a review see Wiepking & Bekkers, 2012). This connection holds in several contexts. In their study of 145 countries, Smith and Stark (2009) found that religious attendance was statistically significantly connected with philanthropic giving and volunteering in 90 percent and 87 percent of the countries, respectively.

Some studies show differences between different religions’ force to motivate prosocial behavior. For example, members of Protestant churches have been shown to make higher charitable donations than Catholics in the United States (Chaves, 2002; Wilhelm, Rooney, & Tempel, 2007), Canada (Berger, 2006) and the Netherlands (Bekkers, 2006; Bekkers & Schuyt, 2008). Nevertheless, more comparative studies from different contexts are needed to further examine the differences in prosocial behavior between religious traditions and communities.

This chapter discusses the influence of religion in philanthropy. We will first introduce the rationale explaining the connections between religion and prosocial behavior. Later, we will sum up findings on the role of religion in philanthropy across the nations included in this book. We describe the role of religious traditions as foundations for philanthropy in different contexts and summarize and discuss the empirical findings on connections between religion and giving in this volume.

2. Explaining the connections between religion and prosocial behavior

The specific mechanisms driving the connections between religion and prosocial behavior have been and continue to be examined (for outlining explanations on the mechanisms see, for example, Wiepking & Bekkers, 2012; Cnaan et al., 2015). They have been explained in terms of psychological, social and societal factors. At the psychological level, an individual’s religion is considered to be linked with his or her prosocial motives and values (see Yeung, 2004; Cnaan, Pessi, Zrinščak, Brudney, Grönlund, Haski-Leventhal, Handy, Holmes, Hustinx, Kang, Meijs, Ranade, & Yamauchi, 2012). Values can be defined as relatively stable, desirable goals that guide the actions of individuals (Rokeach, 1973). According to Schwartz (2007, p. 712) values are ‘trans-situational goals that vary in importance, that serve as guiding principles in the life of a person or a group.’ Bekkers and Wiepking (2010) have identified values as one of eight major mechanisms that drive philanthropic giving. As the values of religious traditions promote caring and giving, individuals who draw on the teachings and ethos of religions are thereby motivated to participate in prosocial activities. Acting according to ones values is central for the self-image
of the individual; thus, philanthropic giving, volunteering and other prosocial behavior can help the individual act in accordance with his or her religious self-image (Clary & Snyder, 1991; Grönlund, 2011). Other studies also show connections between religious beliefs, prosocial values and action (such as Grönlund, 2011; Cnaan et al., 2012; Wiepking & Bekkers, 2012), but these connections are often mediated by religious activity.

However, the research literature most commonly explains the connections between religion and prosocial behavior in relation to social ties. Most religious communities encourage prosocial behavior among their members with their values, norms, practices and social pressure (Park & Smith, 2000; Putnam & Campbell, 2010; Cnaan et al., 2015). The more friends an individual has within a religious congregation, the more likely he or she is to donate money or volunteer (Putnam & Campbell, 2010). As an individual is socialized into a religious community with these traits, he or she learns to act in accordance with them. Thus, social ties also explain or reinforce the connections between religion and prosocial behavior at the level of individual, as they socialize individuals into values, norms and practices which motivate prosocial behavior.

The explanations at the level of social ties can be expanded to a cultural level. The national religious culture can affect cultural values and increase the opportunities and expectations for prosocial behavior. Thus, similar influences as described at the level of social ties can also be applied in religious cultures and societies. These influences extend to non-religious citizens as well (Becker & Dhingra, 2001; Ruiter & De Graaf, 2006). In their study of 53 countries, Ruiter and De Graaf (2006) found that, in societies of active religious attendance, the differences in volunteering activity between members and non-members of religious communities are smaller compared to more secular societies. They even predict declining levels of volunteering in secularizing societies. Nevertheless, a more recent study by Lim and MacGregor (2012) shows a somewhat different result and also criticizes Ruiter and De Graaf’s evidence as inconclusive. In their study of 140 nations, Lim and MacGregor (2012) found that non-religious individuals were more likely to volunteer if they had close friends with religious affiliations. This result thus highlights the aforementioned centrality of social ties in explaining the connections between religion and prosocial behavior. However, the results of their study did not support this influence at the national or local levels. Non-religious individuals were not more likely to volunteer in countries with higher religious attendance. Lim and MacGregor (2012) conclude that more attention should be paid to how the civic roles of religions vary in different religious and civic cultures and the political systems. Therefore, the cultural-level rationale of how religion contributes to prosocial behavior needs further study.
3. Religious traditions as foundations for philanthropy in the countries studied

Religion has played a predominant role in the philanthropic history of the majority of the countries depicted in this book. In many contexts, philanthropy has been primarily driven by religious motivation. In Asia Buddhist, Confucian, Shinto and Taoist traditions have contributed to cultures of philanthropy. Different branches of Buddhism strive for freedom from suffering through different strategies, including meditation and service motivated by compassion (see Eppsteiner, 1988). Such service is demonstrated in the country chapter of Japan in this book, which describes how Buddhist monks have collected donations for common causes such as public infrastructure. Furthermore, Islam has also played a central role in philanthropy in many countries. Islam requires annual contributions (zakat) from Muslims' income. This is a form of income redistribution which in Islamic states is carried out by the government; however, other forms and practices also exist. For example, Indonesia has three parallel zakat systems, and zakat can be made directly to social welfare organizations or deserving families. In addition, many Muslims make voluntary gifts (sadaga), which include money, food and acts to benefit others. Moreover, Islam and Christianity have fostered a culture of giving, for instance, in Egypt where religion serves as a primary motivator for giving.

In Judaism, helping others is also an obligation. One of the three pillars of Judaism denotes the imperative of providing support for those in need, Jews and non-Jews alike. In Israel, all three monotheistic religions – Judaism, Christianity and Islam – have fostered a tradition of philanthropy and associational life. In addition, Judaism has also motivated Jewish diaspora to donate to Israel and causes in their resident countries. In fact, 40 percent of the global Jewish population live in the United States, where they give disproportionately more to a variety of causes, including non-Jewish charities (Tobin & Weinberg, 2007). Also Christianity, Catholicism and different branches of Protestantism have motivated and contributed to both individual and official initiatives of helping those in need. Christian Churches have been predominantly influential in the philanthropic cultures and history of Europe. Moreover, in Australia, Canada and the United States, Christian Churches played a significant role after European settlements. Christian missionaries have influenced the building of non-profit sectors and organized philanthropy, as described in the country chapters of South Korea, Lebanon and China in this book. Missionaries have established charitable institutions such as orphanages and funded universities. However, beyond these benefits, such ‘imported’ systems of philanthropy have also had disadvantages. At times, they have suppressed the traditional cultures of solidarity and helping, for example, in
the aboriginal cultures of Australia and the Caribbean as depicted in this volume.

Religious institutions have also fundamentally affected the establishment and development of larger social structures, such as institutions of social policy. For instance, the dominant religious institutions have shaped the structure of contemporary welfare institutions (Pessi, 2009; Bäckström & Davie, 2010), such as the European system of welfare state. The relationships between ruling authorities and religion have been manifold in different countries and times, which have in turn impacted philanthropy. In many country chapters of this volume, religious bodies have gained their authority to provide social services and organize donations from these ruling authorities. Reciprocally, the religious bodies have in many cases helped maintain the status quo. Close relationships between religions and states are not uncommon in any part of the world. For example, in a lot of European countries, there is often still a close relationship between religion and the state. Even today some countries continue to have official, publicly funded state churches, such as Germany and Norway.

The United States has never had a comprehensive welfare state, and (perhaps in part due to this) the local religious organizations have retained a vigor beyond many European contexts (Ammerman, 2005a). US religious organizations provide substantial care, both through informal partnerships and their own programs. Specifically since 1996, churches and faith-based initiatives are receiving more and more funds from the state for services, according to ‘Charitable Choice’ (Sherman, 2000; Cnaan et al., 2002; Chaves, 2004; Ammerman, 2005b, 2005c). Moreover, this development seems to be welcomed by citizens: half of Americans approve of providing public funds to faith-based groups, while a third objects (American Religious Landscapes, 2004).

However, in several contexts, religions and the role of religion in philanthropy has also been limited by ruling authorities. In some countries depicted in this volume, authorities have oppressed religious bodies in order to take over the responsibility for social services. In Japan, religious philanthropy faced government oppression in the 1600s diminishing its role. Government took over a substantial proportion of financing and/or providing welfare in France in the 18th century, and in Australia, Canada, Finland, Egypt, Israel and Mexico in the 19th and 20th centuries. Religious charities were in some cases nationalized, in other abolished or secularized. In many contexts the stronger role of the ruling authorities in social services was related to the birth of welfare states. In communist contexts as in China in the 20th century, all philanthropy was viewed as unnecessary as the state was supposed to provide for all welfare.

Nevertheless, across several countries in this volume, the role of religions in welfare and philanthropy has re-emerged and persevered despite the changes in their official statuses. Religions and churches assist in situations of crises and persist as a motivating force in individual philanthropy. In recent decades in
Europe and America, churches have increasingly become welfare agents and active in social policy dealing with social problems. Still, the roles vary. For example, in Western Europe, Germany lies at one end of the continuum where the social functions of the majority churches (both Protestant and Catholic) are part of the basic organization of the welfare system (Leis-Peters, 2006). At the other end lies the United Kingdom, where the most active voluntary agents in social welfare tend to be smaller churches, not the Church of England (Middlemiss, 2006). The Nordic countries, where the church seems to offer complementary services to the public sector, fall in between (Yeung et al., 2006; Pessi et al., 2009; Angell & Pessi, 2010). Overall, however, these activities are appreciated by society: Europeans seem to support the idea of religious actors battling social problems (see Bäckstöm & Davie, 2010). This especially holds true in times of crisis (see Pettersson, 2003), when the churches become the quintessential place for people to mourn their losses, both collectively and individually. Further studies on these issues, particularly in different faith traditions and in different continents, are greatly needed.

4. Religion and philanthropic giving today in the countries studied

Nine countries, namely Austria, Canada, China, Indonesia, Israel, South Korea, Switzerland, Taiwan and the United States, tested for different connections between religion and philanthropic giving in this volume. According to the findings, as in a majority of earlier research, religion and philanthropic giving were statistically significantly connected in several ways. Religious affiliation was connected with the probability of giving in Austria, Canada, China, Indonesia, Israel, South Korea, Switzerland and the United States. Furthermore, there were some differences between affiliations in philanthropic giving, but the most noticeable differences were found in comparison with individuals who had no affiliation. Those with a religious affiliation are more likely to donate compared to those with no religious affiliation.

Moreover, religious attendance was positively associated with the likelihood of philanthropic giving in all countries where it was tested. For example, in Austria people who regularly attended services had a 185 percent higher probability of giving compared to those who did not regularly attend them; similarly in Canada, each increase in the monthly frequency of attending religious services increased the odds of donating by a factor of 1.22.

Furthermore, religious affiliation and religious attendance were connected with the amounts donated. The connections between affiliation and amounts donated were statistically significant in Austria, Canada, China, Indonesia, Israel, South Korea, Taiwan and the United States. Only Switzerland had mixed
results in this regard. For example, in China, those with a religious affiliation were predicted to give 86 percent more compared to people with no religious belief.

Unsurprisingly, religious affiliation and attendance especially had an impact on the likelihood and amounts of religious giving. For example, in Taiwan, people who attended religious activities more frequently made more donations to religious activities, but not to secular activities. Mixed results in other countries imply that the effect of religious affiliation and attendance on total giving is strongly driven by the effect on religious giving.

These results are consistent with most previous research on the links between religion and philanthropic giving (such as Brooks, 2006; Smith & Stark, 2009; Putnam & Campbell, 2010). Smith and Stark (2009) analyzed data from 145 countries from around the world and found statistically significant positive relationship between religious attendance and financial donations in almost 90 percent of the countries. In all, as noted in the introduction of this chapter, religion seems to be connected to different kinds of prosocial behavior: volunteering, demonstrating empathy or honesty and donating among others (Saroglou et al., 2005; Musick & Wilson, 2008; Putnam & Campbell, 2010; Cnaan et al., 2012).

5. Discussion

The connections between religion, especially religious attendance, and philanthropic giving are verified in a majority of earlier studies examining this issue. Also, all countries that tested connections between religion and giving found that religion, religious affiliation, religious attendance and/or religious belief had an impact on giving. For instance, individuals with a religious affiliation had a higher probability of giving, and religious affiliation also influenced incidence of giving and amounts donated in several countries. Donating to religious communities or causes explains a part of these results, but not all of them.

The connections between religion can be detected at the levels of individuals, communities and cultures, making the processes explaining the influence of religion on philanthropic giving manifold and multidimensional. Psychological processes, dynamics of religious communities, religious cultures and the societal roles and positions of religious organizations in different contexts all influence the ways in which religion and philanthropic giving intertwine. A key connection between religion and giving is its role in building the foundations for philanthropy in countries all over the world. Religious traditions have built, reinforced and carried out culture of philanthropy by encouraging individual philanthropy and initiating social missions alongside public welfare services. Several country chapters in this book describe the role of religion in forming
a tradition of philanthropy in their country’s history. Religious organizations have encouraged philanthropic giving as well as provided services for communities, such as building and maintaining orphanages, schools and universities, often as part of missionaries. Christian missionaries are mentioned in several country chapters as a central influence in building organized philanthropy in many parts of the world. Nevertheless, some of them have also been associated with oppression.

Overall, religion plays various roles in both defining and resolving – and indeed causing – social problems. Religion demands reactions to social problems, as well as legitimizes them. Religion faces and opposes oppression, empowers people and helps those who are suffering.

However, it also cooperates with public power and – when power is misused – hinders philanthropy and violates human rights. Thus, while the link between religion and philanthropic giving – and, more broadly, prosocial behavior – is self-evident, it is also a problematic one.

It is noteworthy that the links between religion and philanthropy are not limited to Christian contexts. Even though many studies (mostly by theologians) still present Christianity as ‘the main source of the modern altruism concept’ (Grant, 2000, p. 167), views emphasizing prosocial behavior are not typical only of the Christian faith; as aforementioned, Judaism, Islam and various Oriental religions (Buddhist, Confucian, Shinto and Taoist) also share a strong obligation of giving and helping (see Neusner & Chilton, 2005), which several country chapters in this volume have demonstrated in their discussions of philanthropy. Nevertheless, more research is still needed on the multifaceted connections of religion and philanthropy at different levels – especially on the role of other religions than Christianity in philanthropy today.

In the 21st century, the roles of religions and churches are changing in many contexts. In Western countries, especially, the public roles of religions are becoming challenged through religious diversity and increasing demands for non-religious spaces and societies. A recent empirical research on eight European countries indicated that there is a tension between the spiritual identity and the public social role of the churches: most individuals and agents consider that the spiritual nature should be kept hidden when acting as a social agent providing welfare services (Davie & Bäckström, 2010). Such a dualism also naturally informs the relation between religious institution and the larger society; as Hadden (1980, p. 104) describes, the greater the variance between the religious institution’s transcendental precepts and the values and ideals of the society (which in the third millennium are in itself hugely varied), the greater the resources that must be invested in the protection of transcendence – protection in either a defensive or offensive manner. Further empirical studies, particularly considering today’s economically demanding and religiously varied landscape, are deeply called for.
Also, a US-based study has concluded that welfare services provided by a public agency may be easier to receive than those from faith-based agents. All gifts are binding according to classical sociological studies on altruism and gift-giving. When services are provided under professional aegis, people do not feel obliged. Congregations, according to this American study, may through their social work send the message ‘please reform your ways and demonstrate values and attitudes that are in line with social responsibility’ (Cnaan, 2002, pp. 292–293). However, findings on Finland partially contradict this view, both at the institutional and individual levels. People seem to view the church work as based on free will; as a middle-aged woman interviewed for a study stated: ‘The help is very easy to accept – They help me simply because they want to. They are not obliged’ (Yeung, 2008; Pessi, 2013).

Thus, contexts – and the changes within in them – influence the roles, positions and motivating force of religions on prosocial behavior and individual philanthropy today and in the future. A central question remains – especially in Western societies, where the public role of (institutionalized) religion has rapidly changed – whether new forms of religion, more individually oriented spirituality or other ideologies and meaning systems can replace the exceptional power religion has had in motivating individual philanthropy and prosocial action.

References


Encouraging Generosity: The Practice and Organization of Fund-Raising across Nations

Beth Breeze and Wendy Scaife

The international collaboration in this book creates a unique opportunity to establish, discuss and draw conclusions about fund-raising across nations. Based on the 26-country dataset provided by the authors in this volume, this chapter describes and analyzes for the first time the diverse fund-raising environments around the world that are shaped by different historical, cultural, social, religious, political and economic conditions. It begins by noting the lack of research on fund-raisers and fund-raising in contrast to the extensive studies undertaken of donors and argues that the demand side of charitable transactions is worthy of greater attention if a complete and dynamic understanding of giving is to be achieved. It then presents and discusses key themes related to fund-raising in the countries represented in this book. A typology is suggested to impose order on the huge variety of fund-raising approaches and stages of development in the organization of this activity around the world; this typology also strengthens understanding of the connection between asking and giving. After offering suggestions for future research in this area of study, the chapter ends by noting that despite global differences in the evolution of fund-raising as a profession and the diversity of current contexts, fund-raisers in every country face shared challenges that would benefit from greater exchange of knowledge and best practices.

1. Introduction

Desmond Tutu, Archbishop Emeritus of Cape Town, told the annual gathering of the Association of Fundraising Professionals in 2010 that theirs was ‘a noble profession’ and that they have ‘an important calling’ (Tutu, 2010). Such language starkly contrasts with public perceptions of fund-raisers, who are seen as at best a type of salespeople, selling solutions to assuage guilt they
have themselves engendered, or at worst a form of professional high pressure begging.

Furthermore, while philanthropists are often public figures (whether historically such as Andrew Carnegie or contemporary such as Bill Gates), those who prompt, encourage and facilitate charitable giving remain entirely unknown. No fund-raiser has breached the public consciousness and become an archetypical example of ‘asking’ in the way that people such as Carnegie and Gates have come to embody ‘giving.’

The low status and invisibility of the fund-raiser is reflected somewhat in academia where most research tend to skim a variety of topics rather than offer great empirical volume. Knowledge stems mainly from disciplines such as Economics, Psychology, Marketing and the emergent field of Philanthropic Studies. Fund-raising topics within the economics literature cover a wide range, including: the effect of competitive markets (Thornton, 2006), countering free riding (Weisbrod & Dominguez, 1986; Cornes & Sandler, 1996), the crowding-out effect of government funding (Abrams & Schmitz, 1978; Rose-Ackerman, 1986; Andreoni, 1988; Andreoni & Payne, 2011) and responses to contemporary market changes, such as the effect of online intermediaries on fund-raising strategies (Ozdemir, Altinkemer, & Ozcelik, 2010).

A small body of comparative work also exists, such as Onishi’s 2007 contrast of Japanese and US fund-raising. Some international research has been conducted on markets in BRICS countries (Brazil, Russia, India, China, South Africa), including Bailey’s 1999 look at Brazilian fund-raising and Shier & Handy’s 2012 analysis of the role of online donation platforms in developing nations such as India.

Non-profit marketing-based examination of fund-raising offers a larger range of literature spearheaded by pioneers such as the world’s first Professor of Fundraising, Adrian Sargeant of the United Kingdom, and Professor Walter Wymer of Canada. This research is published in valuable journals such as the International Journal of Nonprofit and Voluntary Sector Marketing, the Journal of Nonprofit and Public Sector Marketing and the former publication New Directions for Philanthropic Fundraising.

Despite this largely 21st-century momentum, research into charitable giving and philanthropy has focused substantively more on givers than on askers. Throughout the four or so decades of this field’s existence, understanding donor motivation has been the key research question along with close attention to related issues such as: How much do donors give away? How do donors decide what causes to support? And, what prevents people from giving at all or giving larger amounts?

This ‘giver-centric’ focus is curious because asking and giving are two sides of the same coin: no other industry would focus so squarely on the supply side and pay such scant attention to the demand side. It remains the case that
many non-profit research centers, research programs and university courses prioritize questions concerned with giving and philanthropy above asking and fund-raising.

This situation was first noted 15 years ago by a leading economist of our sector:

Economic research on altruism, public goods, and charitable giving has flourished over the past decade. The analysis to date has focused almost exclusively on donors – the supply side of charity – and has left unexplored the role played by fund-raisers – the demand side. Yet fund-raising is a vibrant, innovative, and highly professional industry.


This chapter helps rectify the situation by drawing out issues related to the practice and organization of fund-raising across the world and linking it to the patterns of charitable giving that are described elsewhere in this book.

Despite the contested nature of what fund-raisers do, the dictionary definition of a ‘fundraiser’ is remarkably concise: ‘a person whose job or task is to seek financial support for a charity, cause, or other enterprise’ (The Oxford English Dictionary, 2013). Yet this simple statement conceals both the complexity of the task and the onerous responsibility held by those securing the financing that keeps good causes in business. The main body of this chapter details the nature of the work undertaken by fund-raisers across the globe and how its organization varies from country to country. It draws on data supplied by authors of the country chapters contained in this volume, information generated by commercial sources, notably the annual Blackbaud survey of the Not-for-Profit industry, as well as the slim practitioner literature on fund-raising from an international perspective, notably a 2013 book entitled Global Fundraising by Penelope Cagney and Bernard Ross. First, however, we review the development of fund-raising techniques and organization around the world.

2. The development of fund-raising around the world

As Sargeant and Jay note, the methods and approaches of modern fund-raising lie ‘not in the recent past, but rather [in] an accumulation of practice over many centuries’ (2004, p. 2). Much of this early fund-raising practice was linked to religion and evident in long-held practices such as collecting a tithe or other faith-based gift. The systematic sale of ‘indulgences’ by the Vatican to fund all sorts of capital works in Medieval times and religious confraternities, such as the Freemasons and Society of St Vincent de Paul, are an important part of
fund-raising history. Even earlier, St Paul’s letters, in which he encourages the Corinthians to provide financial support for starving Palestinians, provide evidence of the existence of organized fund-raising some 2,000 years ago (Mullin, 2007). Similarly, bequeathing funds or property for community use has been quietly practiced by many across the ages, and assiduous research reveals that current ubiquitous methods, such as capital campaigns, date as far back as 1643 for Harvard University (National Philanthropic Trust, 2012). Even further back, we have detailed accounts of the 1389 fund-raising campaign to raise funds for Troyes Cathedral in Champagne, France, which secured support from ordinary citizens, big gifts and legacies (Murray, 1987).

Likewise, raising funds through direct personal appeals to donors (also known as ‘face-to-face’ or ‘street fundraising’), which is used in many countries today, was evident in the 19th century, when funds were raised in the streets of Manchester, UK, for the lifeboat association (Royal National Lifeboat Institution, 2013); such fund-raising can also be traced to efforts pioneered by Charles Sumner Ward in approaching people for support for YMCA programs in the 1890s (Cutlip, 1965). Although countries other than the United Kingdom and the United States have also raised funds for many centuries (see for example Tennant’s 2013 look at New Zealand’s charitable past), little scholarly documentation of such efforts is available in the English language. Several other exceptions to academic disinterest in the history and practice of fund-raising include Cook (1997); Gordon (1998); and Gasman (2004).

This chapter is not focused on the history of fund-raising, so we merely note that the data suggests many nations today operate with modern versions of some early fund-raising approaches.

3. Data: Typical fund-raising methods around the world

Each country chapter in this volume includes a section describing the organization of fund-raising in the country or region under discussion. This section synthesizes this information to highlight the range and prevalence of approaches. The fund-raising methods are discussed in order of their apparent global popularity, though the data was not collected in a way that makes this ordering scientific. Therefore, we note that, while broad trends readily emerge, some international agreement on what and how to measure usage of different techniques would be helpful for a more benchmarked comparison.

3.1 Fund-raising events

Every country uses events as a vehicle for fund-raising, possibly because they can be run by organizations of all sizes and often use volunteer labor. However, the nature of such events relates to local factors, such as cultural attitudes
toward displays of wealth. This centrality of event fund-raising across nations has been noted in other studies:

Special events were the most widely reported method to drive individual donations, and respondents in most countries reported that events will continue to be among the top two donation drivers over the next year.

(Blackbaud, 2012)

Canadian research confirms that fund-raising galas, dinners and concerts are the second most popular solicitation method, used by 38 percent of registered charities in that nation (Ayer, Hall, & Vodarek, 2009). The Netherlands reports that events are generating good returns in comparison to other methods such as regular giving, achieving notable success with recurring fund-raising events such as Alpe D’huZes (a cycling event for the Dutch Cancer Foundation) and Serious Request (a national public radio event in major cities for the Dutch Red Cross). Telethons (raising money through lengthy TV broadcasts) generate substantial income for many types of causes in many different countries, such as the French Association against Myopathy and the Children in Need appeal in the United Kingdom. In Australia, events are identified as a core revenue generator across nonprofit organizations (ACOSS, 2005). The Caribbean data, however, highlights the potential cost and labor intensity of such fund-raising mechanisms and reinforces the vital role of volunteers, including organized service clubs such as Rotary or Soroptimists. The role of spouses without work permits for the region is an interesting aspect of high participation in event volunteering. The authors of the Lebanon chapter suggest that for some nonprofit organizations, events are the only activities conducted to fund-raise through the year, and often the activity relies more on social ties than a purely professional fund-raising approach.

It would be interesting in future research to probe the role that technology is playing in lowering costs, for example, by magnifying event impact and return on investment through third-party fund-raising or easy outreach for individual or team sponsorship via email.

3.2 One-to-one approaches

Based on Blackbaud survey data from 1,516 nonprofit organizations in nine countries, using personal contacts to identify new supporters was ranked second only to special events as an effective fund-raising approach. Some 64 percent or more nonprofit organizations in each of the nine countries in the survey reported using personal contacts from staff, volunteers or board members, rising to 90 percent of organizations in the United States and Canada.

Interacting with people face-to-face is arguably the oldest form of fund-raising, where the fund-raiser invites support from the potential donor within
the context of their personal relationship. While it involves little direct cost, this form of fund-raising is still expensive because of the amount of staff time involved. Since the development of cheaper forms of mass communication, such as direct mail, the one-to-one approach has therefore been primarily reserved for use with the wealthiest people who have the capacity to make the largest gifts, because success can justify the time and expense involved. However, growing disillusion by potential donors in receipt of vast quantities of impersonal, mass-produced requests for support is leading some fundraisers to reappraise their use of such techniques. Direct mail, for instance, ranked fourth behind face-to-face/street/direct dialogue fund-raising, doorstep fund-raising and telemarketing in a UK study of donor complaints (Sargeant, Hudson, & Wilson, 2012).

Face-to-face fund-raising is recorded in the Swiss chapter as a common regular giving mode and other countries such as Finland note its growth as an acquisition mechanism for both members and donors, who mainly use the monthly pledge approach. However, other countries make little or no mention of this fund-raising method.

### 3.3 Direct marketing appeals

The development of mass marketing, due to cheap printing processes and affordable postage, transformed the commercial and nonprofit sector, giving them the ability to reach mass numbers of people in a cost-efficient way. Technology has now added a new dimension and ease of mass outreach. Most countries note this method as part of their fund-raising toolkit, while some, such as Switzerland, describe it as a ‘dominant method.’ It is also commonly used in parts of the world where writing to potential donors was assumed to be ‘less relevant,’ as noted in the chapter on Indonesia.

### 3.4 Online, social media and mobile/cell phone giving

The relatively recent development of new technologies, such as email, mobile phones, SMS texting and the Internet, has transformed the way people communicate in both their personal and professional lives. Fundraisers have been quick to identify the key benefits in integrating these technologies into their efforts: the communications are free or almost free, and they enable the personalization of messages that would be impractical or unaffordable in a printed format.

Online channels such as Facebook and Twitter are widely viewed as a very useful and efficient means of communicating with donors, potential donors and the general public, but the extent of their potential as a direct fund-raising channel is less clear.

Nevertheless, the 2012 Blackbaud report notes that social networking is among the three fastest growing fund-raising methods identified in their
survey. The number of donations received online remains small, but the proportion of income derived from this source is growing fast due to a combination of nonprofits’ increased investment in their online presence, ever-expanding access to the Internet across all populations and greater willingness to conduct financial transactions online.

The development of fund-raising using social media may outpace the overall development of the fund-raising profession in any given country or region. For example, Bulgaria does not have a well-developed fund-raising infrastructure, yet more than half the population (58 percent) are reported to have donated in an SMS campaign (Hristova, 2011). The opposite scenario is also evident: the Netherlands enjoy high levels of participation in giving, yet online fund-raising has not yet successfully developed; Austria has a national fund-raising association with 170 member organizations, but only 1 percent of the population have donated online (Neumayr & Schober, 2012); likewise France has a well-developed fund-raising profession but only 3 percent of giving is generated from Internet campaigns (France Generosities & CerPhi, 2012); moreover, Swiss nonprofits are only just starting to use the potential of online communication (Ingenhoff & Kölling, 2009). In countries that acknowledge a less active public fund-raising regime, they nonetheless mention the use of online fund-raising; for example, China notes its use by grassroots organizations in recent years.

Despite the lower transaction costs associated with this form of fund-raising, we note there are complications and additional costs for nonprofits wishing to ensure that their fund-raising methods work equally well on handheld devices, such as mobile phones.

We also note that the online environment has enabled the growth of newer forms of giving that facilitate stronger connections between the donor and the nonprofit they are supporting. Finland, for instance, highlights the growing popularity of ethical gifts, such as buying a tree to be planted (also known as sustainable or charity gifts).

Finally, the online environment also creates opportunities to promote giving as a generic concept to donors/potential donors as well as offering information about specific causes. Websites such as www.israelgives.com, www.canadahelp.org and www.givemore.org.uk are examples of this trend.

### 3.5 Community fund-raising

Raising lots of small donations from people interested in a cause – whether through geography, personal connection, or empathy – is another standard fund-raising technique around the world. The Dutch data reports that two of the three most common types of fund-raising experienced by donors exemplify this direct approach, which includes door-to-door solicitation and direct dialogue in busy shopping areas. While each donation is often low in value, the cumulative total often exceeds those garnered by the major gifts team –
the annual UK Giving study only captures such ‘ordinary’ sized donations, yet reports annual totals of £10 billion, which far exceeds the total value reported in the UK Million Pound Donor Reports, about £1.5 billion (see, for example Breeze, 2012; NCVO/CAF, 2012).

The data from our country contributors confirms the attraction – and success rate – of this method. It is the most popular solicitation method for Canadian charities, involving collection plates and boxes, as utilized by 39 percent of registered charities. Australia and Austria are among the countries reporting the time-honored doorknock as a special type of community fund-raising event still very much in use. The country data also highlights the key role that volunteers play as a fund-raising resource for these labor-intensive methods of fund-raising, which would otherwise be too costly if conducted solely by paid staff.

One reason this method is labor-intensive is that donations come primarily in the form of cash, which needs to be collected, counted and banked. Such roles are often fulfilled by volunteers, which is efficient but relies on honesty on the part of those handling the money and confidence on the part of those entrusting their coins and notes to the volunteer collector. Payment by bank checks is one solution to this issue. Despite moves in some countries to phase out check payments, many donations still flow in across the world using this form.

3.6 Legacy/bequest appeals

Many countries report fund-raising in the form of charitable legacies/bequests. However, charitable bequesting is far from the norm. In Austria, for instance, less than 1 percent of people have included a charitable bequest in their will. Similarly, in the Netherlands, only 3 percent of the population is reported as having included a charitable bequest in their wills. The authors claim that the main obstacle for achieving better results with this fund-raising method appears to be the relatively low percentage (30 percent) of Dutch people who have written a will, which is a necessary prerequisite for leaving a charitable bequest (VFI, 2012).

Despite charitable legacies constituting a small share of total voluntary income, the promotion of charitable legacies is a growing trend in a range of countries, often through specific legacy/bequest promotion bodies comprised of charities that usually pay a membership fee that helps such groups promote the legacy concept. Examples include Bulgaria’s Vergissmeinnicht (Forget-me-not) and Ireland’s My Legacy with its Best Will in the World Week.

3.7 Planned giving

Only a small number of countries report the broader concept of planned giving where charitable instruments beyond wills are used. An example – according to
the numeric data in the present volume – is Canada, which reports 8 percent of charities having planned giving programs.

As happens in some countries with legacy giving, planned giving usually involves tax advantages, which are offered by governments to incentivize donors. However, an unintended negative consequence of tax incentives is that they make transactions more complex and may even require specialized financial understanding on the part of the fund-raiser. Charitable Remainder Trusts, common in the United States, are an example of a method of planned giving that provides a substantial incentive to give, yet requires sizeable financial expertise to become part of a fund-raiser’s toolkit.

Another form of planned (versus spontaneous) giving is the setting up of a regular (often monthly) direct debit, which transfers money directly from the donor’s bank account to their chosen charities. The 2011 Blackbaud survey\(^3\) reports professor of fund-raising Adrian Sargeant’s claim that ‘monthly giving’ is the largest untapped opportunity open to fund-raisers around the world:

> Regular/monthly or sustained gift programs are currently revolutionizing the economics of fundraising… Lifetime values are 600–800% higher than would be the case in traditional annual fund giving. It’s also more resilient in the face of changes in the economy.

(Sargeant, as cited in Blackbaud, 2011, p. 15)

Many of our country contributors concur with the view that regular giving has revolutionized fund-raising in the 21st century because of the way it inherently builds donor loyalty and generates greater lifetime value for both the donor and the organization. For instance, the standing order (i.e., instructing a financial source to make a regular payment) was the most popular method of collecting Austrian donations in 2011. Such regular giving is a growth area in many countries including Taiwan and Finland where a recent survey of 120 nonprofits found 22 percent of collected funds were raised through monthly donations. A quarter of French donations came from bank account direct debits, reflecting the acceptance of recurrent (or what some countries call sustainer) giving. Similarly, South Korea reports monthly giving to aid poor neighbors and the disadvantaged as a common activity, along with recent promotion of the concept of donor loyalty.

3.8 Corporate fund-raising

Corporations are viewed as a funding source in most countries. The momentum of the corporate social responsibility (CSR) movement is noted in many of the nations included in this volume, such as Egypt, which refers to a relatively
embryonic culture of corporations acting as grantmakers. In contrast, more developed fund-raising markets regularly look for corporate support. Almost a fifth (19 percent) of Canadian charities are said to actively solicit donations from corporations.

Under the umbrella of corporate fund-raising lies the growth area of payroll deductions or workplace giving, which can be seen in most countries. For example, the Bulgarian commentary points to a ‘More and More’ payroll campaign underway to increase donations and also to its uptake by multinational corporations rather than smaller firms. However, this fund-raising method varies in popularity across the globe, depending on the availability and attractiveness of other fund-raising methods. For example, despite extensive promotion and government-funded incentives, payroll giving has failed to become a key source of donated income in the United Kingdom, arguably because of the accessibility and popularity of regular direct debits, which have an obvious advantage when donors change jobs.

A related type of corporate giving mentioned in the country data is that conducted via the United Way WorldWide (2013). Often based on payroll giving, a successful United Way infrastructure can have a doubly positive effect as both an income source and a generator of community fund-raising. United Way International is active in over half of the countries included in this global study, but its presence varies in level of prominence. For instance, in the Caribbean, United Way operates in four of the countries in that region, often through workplace giving and as a vehicle for giving to local charities that meet quality and accountability standards.

Workplace giving more broadly may also occur as part of corporate community partnerships or via sponsorship; however, neither fund-raising method was prominent in the chapter data.

3.9 Trust and foundation fund-raising

Grantseeking from philanthropic trusts and foundations is noted as a common activity across most countries, although geopolitical factors have determined the presence, timing and growth of such entities in different countries. The data suggests that for some countries, the local supply of foundation grants and funding generally is small, necessitating more international outreach. Indonesia for example records its dependence on international funding with 65 percent of its civil society organizations deriving their revenue from international sources (PIRAC, 2002).

The United States is at the other end of the scale in terms of domestic foundations, reflecting a strong foundation sector of more than 76,000 entities granting US$45.7 billion in 2010 (Lawrence & Mukai, 2011). This sum accounted for 14 percent of all donations in 2011 (Giving USA, 2012).
3.10 Endowment funds

Many nonprofits – such as arts, hospitals, medical research institutes and universities around the world – fund-raise for an endowment. That is, they create an investment fund whose interest on capital can be used to fund annual operations or other nominated activities. It is reasonable to assume that only nonprofits with longer histories, as well as more extensive and well-funded fund-raising departments, tend to invest in building an endowment; as such, this method would be more common in countries with a longer and stronger history of nonprofit organization, such as the United States and the United Kingdom. Nonetheless, Indonesia is an exception, citing this funding source as a more significant stream than individual giving.

3.11 Raffles and lotteries

Cultural differences impinge on the presence and size of games of chance as a fund-raising mechanism, but such activities are a common part of the fund-raising portfolio in countries that have more liberal views regarding gambling. For example, 14 percent of Canadian charities report using this method, largely through draws and lotteries. In several countries (e.g., the Netherlands), large charitable lotteries generate significant funds for some major charities. These funds are often important as an annual funding stream, as they provide core income, which many donors dislike funding Gneezy, Keenan and Gneezy (2014).

A number of nations also report a small number of approved lotteries regulated by the state. Examples include the United Kingdom’s national lottery, which has raised more than £33 billion for ‘good causes’ (defined as charities, sports, arts and heritage) since its launch in 1994. Similarly, in Hong Kong the Lotteries Fund (established in 1965) is a major nonprofit organization funder, which in 2010–2011 provided US$115.4 million (HK$0.9 billion) in social welfare support (Hong Kong SAR Government, 2012). This money flows through its Mark Six Lottery investment as well as auctions of vehicle registration numbers. In Norway, lotteries can be run by voluntary organizations who gain an exemption from the general ban on gaming in that country, but competition from Norsk Tipping (the government-owned games company) has made this a much less profitable enterprise. This high level of state involvement is evident also in Finland, where the Lotteries Act grants three entities the responsibility to organize gaming in Finland. Profits go to health promotion, health and social welfare, arts, science, youth work and sports organizations. Because of state supervision, these profits are considered to be public funding; in fact, half of the revenue of national health and social welfare groups stems from Finland’s Slot Machine Association. Likewise, Taiwan’s first charitable pari-mutual lottery in 2002 is attributed to the need for financial subsidies as well
as the existence of many underground lotteries. In Russia, where several major national charity lotteries operate (e.g., Pobeda, Gosloto) the largest commercial bank is authorized to sell tickets for charity lotteries in all regions of the Russian Federation.

Lotteries are neither a simple nor uncontroversial fund-raising method. There is confusion as to whether someone playing the lottery is first and foremost a donor or a gambler, and questions arise as to whether purchasing a lottery ticket may crowd out donations (see Peacock, 2000). Likewise, the issues of problem gambling, potential government monopoly of lottery income and objectivity/political influence in grant-making decisions also emerge as points of controversy.

3.12 In-kind giving

This text’s focus is on formal philanthropy and fund-raising rather than volunteering or other pro-social behavior. However, countries such as Egypt note the importance of the mobilization of donations beyond money, such as food for needy populations. It is likely that in-kind giving is common in many other countries, but such data is beyond the scope of this book.

3.13 Other vehicles

Some fund-raising mechanisms were noted as popular in several countries and may be widely used, but they did not receive broad mention. For example, fund-raising sales (e.g., badges, sunscreen and charity shops) are quite significant for some countries: Canada notes 29 percent of charities use fund-raising sales, and Finland cites a similar figure of 23 percent. Taiwan notes that sales of fund-raising products is a growth area, giving the Children Are US (CAREUS) Foundation as an example: sheltered workshops hire children with intellectual disabilities to make cookies and snacks for sale, which in turn gives extra income for the charity’s work.

4. The organization of, and context for, fund-raising around the world

In addition to collecting data on the different fund-raising methods used around the world, many chapter authors also provide information on the extent to which fund-raising as an activity or profession is formally organized within their geographical area, as well as information on relevant contextual factors, which we draw on for this section.

4.1 The presence and role of national fund-raising sector bodies

We argue that the presence of a national body that represents, supports, trains and regulates fund-raising is a defining characteristic of an established
Table 33.1 Professional organizations fostering fund-raising around the world

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<thead>
<tr>
<th>Country</th>
<th>Professional organization/s fostering fund-raising</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Fund-raising Institute Australia</td>
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<td>Austria</td>
<td>Austrian Fundraising Association [Fundraising Verband Austria, FVA]</td>
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<tr>
<td>Bulgaria</td>
<td>Bulgarian Charities Aid Foundation, Bulgarian Donors Forum</td>
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<tr>
<td>Canada</td>
<td>Association of Fundraising Professionals, Imagine Canada</td>
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<tr>
<td>Caribbean</td>
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<tr>
<td>China</td>
<td>Shanghai United Foundation</td>
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<tr>
<td>Egypt</td>
<td>N/A</td>
</tr>
<tr>
<td>Finland</td>
<td>Association for Responsible Donation, Finish Fundraising Association (VaLa)</td>
</tr>
<tr>
<td>France</td>
<td>Association Française des Fundraisers</td>
</tr>
<tr>
<td>Germany</td>
<td>German Fundraising Society (Deutscher Fundraising Verband), German Central Institute for Social Issues (Deutsches Zentralinstitut für soziale Fragen DZI)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>N/A</td>
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<tr>
<td>Israel</td>
<td>Israel Association of Professional Fundraisers</td>
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<tr>
<td>Indonesia</td>
<td>Fundraising Institute of Indonesia</td>
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<td>Ireland</td>
<td>Fundraising Ireland</td>
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<td>Japan</td>
<td>Japan Fundraising Association</td>
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<td>Lebanon</td>
<td>N/A</td>
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<tr>
<td>Mexico</td>
<td>Association of Fundraising Professionals</td>
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<td>Netherlands</td>
<td>Instituut Fondsenwerving (IF), Association of Fundraising Organisations (VFI)</td>
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<td>Norway</td>
<td>Norwegian Fundraising Association Norges Innsamlingsråd</td>
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<td>Russia</td>
<td>Russian Association of Fundraisers</td>
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<td>South Korea</td>
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<td>Himalaya Foundation</td>
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<td>United States</td>
<td>Association of Fundraising Professionals</td>
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<tr>
<td>Vietnam</td>
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fund-raising regime. Table 33.1 details some of the national fund-raising bodies of individual countries represented in this text. Such industry/professional bodies serve their members but often also embrace a far wider set of goals, including encouraging giving among the population, facilitating discussions on ethical fund-raising practices and working with government to develop enabling legislation. Some nations also have independent bodies or membership entities that audit abidance of the code of ethics in practice; in some cases, they independently award a quality mark or otherwise provide distilled information to help donors decide the worthiness of that charity (e.g., France's Le Comite de la Charte, Switzerland's ZEWO Foundation, the US's Better Business Bureau with its Standards for Charity Accountability or The
German Central Institute for Social Issues, which awards the DZI Donation Seal (DZI Spendensiegel). In some countries the industry/professional associations operate at national, state/province/county and local levels. In larger and more established fund-raising markets, umbrella groups also operate in specific cause areas (for instance, in addition to the overarching entity Imagine Canada, there are single-focus bodies such as the Health Charities Coalition of Canada, the Canadian Conference of the Arts, the Canadian Council for International Cooperation and the Canadian Council of Christian Charities). Similarly, larger marketplaces may offer membership of specialist fund-raising role groups, such as associations for gift planners or prospect researchers or alliances such as Hong Kong’s F2F Monthly Giving Alliance. However, in each country the membership of these professional bodies is only a subset of the total number of fund-raisers.

Some sector bodies are noted for their international presence. Notable examples of bodies that facilitate globalized or multinational ties include the Association of Fundraising Professionals (AFP), Resource Alliance, the Certified Fund Raising Executive (CFRE) International accreditation and the Council for Advancement and Support of Education (CASE). Mexico is an example of a nation with an emerging rather than a developed fund-raising profession, but both the AFP and CASE are active in the evolution of a professionalized fund-raising base. Fund-raising also has international and regional groupings (e.g., the International Committee of Fundraising Organizations and the European Fundraising Association). A website containing a ‘showcase of fundraising innovation and inspiration’ (www.SOFII.org) is hosted in the United Kingdom and funded by largely Western donors, but aims to reach and support fund-raisers across the globe.

Many countries, however, lack sector leadership groups to undertake this array of professional advancement activities though in some countries, such as Vietnam, the nonprofit sector is working to professionalize their fund-raising efforts. The absence of a leadership body has negative consequences for those working as fund-raisers and also for the wider nonprofit sector, which is arguably less mature than those in established fund-raising regimes as seen in positioning with government and in popular perceptions of fund-raising. Data from Lebanon for instance, where no fund-raising sector body exists, highlights the lack of career possibilities and the project-by-project basis of fund-raiser employment. Similarly, South Korea notes that the local culture delays fund-raising professionalization in an environment that emphasizes high philanthropic commitment for low financial recompense.

4.2 Fund-raising training by industry/professional bodies
Training is significant to successful practice, evidenced by how consistently it is reported as a core activity of the industry/professional bodies and the frequency
with which fund-raising training is sought in countries where no such group exists. For instance, Bulgaria reports on fund-raising workshops organized by the Bulgarian Center for Non-Profit Law.

4.3 Education

While there is a distinction between training and education, both clearly play critical roles in a vibrant fund-raising sector. The data suggests only a handful of countries offer fund-raising as a topic for university-level study (e.g., the Australian data reports that fund-raising has been offered as a university subject since 1990 and the University of the West Indies has recently launched a nonprofit organization management course including a resource mobilization subject). The contribution made by the university sector in adding to the body of knowledge is also touched upon in the data and is an important aspect of the professionalization of fund-raising.

4.4 Role of government

Government involvement varies in the data, ranging from light touch to strongly prescriptive and involved. The implications for the fund-raising sector likewise vary. For instance, the Bulgarian entry refers to questions by Angelov (2011) and the European Commission (2012) about potential conflicts of interest and donation pressures when state agencies organize fund-raising activities. Bulgaria also highlights state initiatives such as the yearly ‘Bulgarian Christmas’ and an environment where 39 percent of the population believe that governmental institutions should drive such campaigns, while only 16 percent believe nongovernment organizations are the appropriate leaders of such fund-raising initiatives. This trend is likely explained by low levels of social trust in nongovernmental activity, as described in the Bulgarian context. A different set of issues is evident in Israel, where the long-held custom of sending fund-raising emissaries to overseas Jewish communities has done little to build the local nonprofit sector. Fund allocation from these campaigns was based on government priorities and political considerations rather than concerned with strengthening the nonprofit sector as a whole. Other issues emerge in Egypt, where government encouragement of philanthropy and local nonprofit organizations has increased in recent decades, alongside strong scrutiny of international funding sources. This trend is highlighted as being due to concerns about the political agendas of funded projects as well as concerns that the advancement of foreign interests is potentially prioritized over serving local interests. Vietnam also notes strong government supervision; depending on the type of event, an organization might require permits from up to four different ministries.

Across the world, variety is the key theme when it comes to the role of government in fund-raising. To furnish additional examples, South Korea has
strict government regulation of fund-raising efforts, including the costs of fund-raising. China lists the government as one of the three types of entities authorized to raise charitable funds. Hong Kong notes the increased push toward community fund-raising that occurred in 2001 with the introduction of the Lump Sum Grant Subvention as a new means of funding welfare nonprofit organizations; it also points to the government as a major grantmaker to small nonprofit organizations.

4.5 Role of consultants and other paid contractors

The data is largely silent on the role of fund-raising consultants who operate in many countries and in many specialties (including direct marketing, major donors and capital campaigns). However, Canada notes that 1 percent of charities report paying third parties to fund-raise for them, whereas Finland records the propensity by its organizations to recruit face-to-face fund-raisers as employees rather than outsourcing this activity. Fund-raising consultancies are a long-established part of the nonprofit sector in the United States and the United Kingdom. Hong Kong has seen growth in this area since 2000, through the impetus of multinational nonprofit organizations that form a large part of their client base.

4.6 Globalization

Just as multinational companies influence the uptake of fund-raising mechanisms such as workplace giving, so too does the presence of international charities and nonprofit organizations affect how fund-raising operates in individual nations. Hong Kong, for instance, cites the impetus that organizations such as Oxfam, Medecins Sans Frontieres and Greenpeace have on the trend toward professionalization in a country where previously fund-raising was largely conducted by public relations firms. However, globalization can bring new complications. For example, Switzerland reports that the market entrance of international organizations has divided the sector on the question of child sponsorships (an issue that is also contentious in other countries). ZEWO, an organization that reviews and certifies the work of Swiss charities, considers such a fund-raising approach to be unethical and potentially problematic for individual children; thus, it urges funding of the infrastructure in which children live over funding of projects, issues or countries.

4.7 The impact of religion

While the link between religion and giving is well developed in the literature, the religion/fund-raising nexus is less explored. However, occasional papers can be found such as Tedham’s 2012 comparison of two Muslim- and Christian-based international nonprofit organizations in which the challenge of finding a balance between fund-raising professionalism, religiosity and effectiveness is
Themes and Findings highlighted (Tedham, 2012). While some countries (e.g., Bulgaria) report little interplay between religion and donation behavior, many countries note a robust link that has various implications for fund-raising. To provide just a few examples of how religion provides specific contexts for fund-raising practice, the Indonesian chapter echoes Tedham’s point about balance and tells how current research is focused on the development of modern fund-raising practices to support Islamic philanthropy. The same data also describes how the professionalization of fund-raising is most evident in the move to a paid (versus volunteer) manager of the zakat contribution (the obligation of Muslims to give a set amount of their wealth to those in need). Meanwhile, Austria notes the fund-raising success of faith-based organizations in a country with a strong religious culture, as the best-known fund-raising groups in the social welfare subsector are both religious organizations. Israel likewise sees a strong religious/fund-raising link in the critical role of diaspora fund-raising as an institutionalized practice, which dominated the Israeli fund-raising scene into the 1980s.

5. Similarities in fund-raising around the world

As a counter-balance to the preceding text, which largely emphasizes differences identified in the countries and regions covered by this book, this section highlights the similarities found in the practice and organization of fund-raising around the world.

5.1 Seven global mega-trends facing fund-raisers

Seven ‘mega-trends’ facing fund-raisers across the globe have been identified by Cagney and Ross (2013, p. 3) and are evident to varying degrees in our data as follows:

1. There is a continuing growth of great wealth and some of it is being diverted to philanthropy. This point is expanded in an article on ‘emerging philanthropy markets’ by Michon and Tandon, 2012, and is exemplified in the countries’ data to varying extents. For instance, the Austria chapter describes an emergent rather than distinctive philanthropic culture among the wealthy. Bulgaria and other countries note the impact of both global trends toward more philanthropy and international knowledge disseminating bodies, such as the United Kingdom’s Charities Aid Foundation. In Australia, there has been a growth in wealth and related increase in philanthropic momentum, but the level of charitable donations has not kept pace with levels of increasing affluence. Although this trend is not noted by many chapter authors, it is likely to be true elsewhere, such as in Mexico where very great wealth exists alongside very great poverty: the poorest decile of its population receiving 1.3 percent
of the national income, while the richest decile holds nearly 36 percent. Many countries report that major giving is often a very private behavior and highlight the capacity for more philanthropy, especially through major gifts.

2. Nonprofit innovations, in fund-raising and elsewhere, are now originating from beyond the United States and Europe. However, examples of this trend were not especially notable in the countries’ data, where the tendency was toward a similar portfolio of fairly traditional fund-raising activities such as major events or direct mail. Nevertheless, interesting angles did emerge, such as the Hong Kong government’s auctioning of license plates to help boost the Lotteries Fund.

3. Indigenous nonprofit organizations continue to grow in number throughout the world, but there are some leviathans emerging. As evidenced in the country chapters, some nations are seeing a blossoming of their nonprofit sectors and (as highlighted earlier) recognizing the powerful role of what Cagney and Ross (2013) characterize as a ‘super league’ of multinational fund-raising charities. As with Cagney and Ross’ findings, not all aspects of this international trend are viewed favorably by domestic nonprofits. Cultural sensitivity is an important starting point for global nonprofit leviathans to consider.

4. There is considerable debate worldwide about the role of philanthropy and the role of the state. The perceived growing role of wealthy donors, as charted by Bishop and Green (2008), is disputed by those who believe philanthropic donations undermine the role of the state. Public perceptions of the appropriate role for philanthropy are likely to differ across the globe, but unfortunately this issue was not explicitly covered in the country data.

5. Fund-raising is becoming more professional and professionalized. This trend was perhaps the most resounding theme from most of the 26 countries contributing to this book, as discussed in detail above. Yet this was still not a universal picture, as we found some countries with what can at best be described as an ‘embryonic’ fund-raising regime, as seen in Table 33.2.

6. Everyone agrees that new and social technologies are important, yet disagree how this is – and will be – manifested. In our data, the emergence of social media was frequently raised, as discussed in Section 3.4. One interesting mention of this theme is by China, which points to the role social media plays in disseminating information about scandals and issues and its impact on nonprofit organization trust.

7. Philanthropy thrives best when there are codified civil society structures and regulations for nonprofit agencies. While this trend appears to relate to the wider sector rather than the fund-raising function specifically, Cagney and Ross insist that, ‘in order for fundraising to flourish donors have to be able
Table 33.2  Typology of fund-raising regimes around the globe

<table>
<thead>
<tr>
<th>Advanced fund-raising regimes</th>
<th>Established fund-raising regimes</th>
<th>Evident fund-raising regimes</th>
<th>Emerging fund-raising regimes</th>
<th>Embryonic fund-raising regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>These countries/regions enjoy a highly developed fund-raising profession that is at the cutting edge of global practice. Fund-raisers are fully supported by bodies that represent, regulate and promote their work. Personal asks are a dominant solicitation method in relationship-centric fund-raising practices.</td>
<td>In these countries/regions, the fund-raising profession is large, well organized, has a national professional body often with regional branches, accredited qualifications and higher education institutions that provide research and training. In practice, fund-raising relies on mass solicitation methods but the importance of personalized approaches and relationship building is widely understood.</td>
<td>These countries/regions have some characteristics found in established regimes while also displaying some characteristics found in emerging regimes. They are generally developing toward having more professional and organized fund-raising.</td>
<td>In these countries/regions, fund-raising is growing in legitimacy but is not yet fully professionalized. The donor base is often small but growing, and fund-raisers may be overly reliant on raising income from abroad. Fund-raising may be driven primarily by bodies outside nonprofits, such as the media or corporations. Fund-raising is focused on processing donations but some relationship-building occurs.</td>
<td>In these countries there is little discernible development of fund-raising as a profession. While giving and philanthropy occur, sometimes at significant levels there is no widespread effort to transform the demand-side of charitable transactions. Fund-raising is often viewed as the processing of donations in response to episodic incidents such as disaster appeals.</td>
</tr>
<tr>
<td>USA</td>
<td>Australia, Canada, France, Germany, Netherlands, Switzerland, UK</td>
<td>Austria, Finland, Ireland, Israel, Japan, Norway, South Korea</td>
<td>Bulgaria, Caribbean, China, Egypt, Hong Kong, Mexico, Russia, Taiwan, Vietnam</td>
<td>Indonesia, Lebanon</td>
</tr>
</tbody>
</table>

*Note:* The construction of this typology is based on the data and information provided by the authors of the country/region chapters.
to recognise and relate to the special status of nonprofit organizations’ (p. 11). In the country data, an array of fund-raising and nonprofit regulation is evident on a continuum from restrictive to enabling.

Thus, to varying extents the data presented in this book confirms most of these seven mega-trends. Additionally, the 26-country dataset suggest four further similarities:

5.2 Fund-raising vehicles
The fund-raising vehicles in use in developed fund-raising markets are being applied very commonly across less-developed sites. As addressed in the Indonesian chapter, approaches previously assumed to be less relevant in Asia – such as direct mail, media advertising, telephone solicitations, special events, workplace giving and merchandise – are now successfully being used in the region.

5.3 Fund-raising costs and the lack of data about fund-raising costs and activities
Fund-raising costs are contentious in almost every country and words like ‘transparency’ and ‘accountability’ are dotted throughout the countries’ fund-raising entries. While self-regulation and the consequences of negative public opinion are deemed sufficient in most countries, legislative solutions to cap fund-raising expenditure have been imposed in South Korea and in Taiwan, which reports a capping of fund-raising expenses at 15 percent of total revenue by government following a media exposé on the topic (up from 2 percent), South Korea also has a cap on fund-raising expenditure, currently set at 10 percent. German tax authorities frown on a fixed cost ratio of more than 10 percent, but according to von Hippel (2010), rates even above 50 percent are allowed for a maximum of four years.

Public and governmental concerns that fund-raising investment implies wastefulness can be seen in many countries’ fund-raising summaries, and a subsequent lack of clear reporting as to how much is actually spent on different fund-raising methods does not help the situation. Charity watchdogs have traditionally focused on the fund-raising cost ratio measure as a guide to reliable giving destinations (e.g., Charity Navigator, Charity Watch – the American Institute of Philanthropy) though some have changed their view on its value in recent years. A variation on such bodies is noted in Hong Kong, which launched WiseGiving in 2007 as a voluntary platform for nonprofit organizations to demonstrate their transparency and activities.

Cross-nationally, there appears to be little appreciation of the fact that there is no free way to collect money. Even an apparently cost-free solicitation method, such as a collection box, needs to be purchased and emptied regularly;
then someone needs to bank the money, spend it in the way donors expect and finally account for it. Even if a volunteer undertakes these tasks, they may be supported by a paid volunteer manager, or their time understood as an opportunity cost (instead of fund-raising they could have been delivering the service), so the process of collecting money is never entirely ‘free.’

A range of countries report the lack, or only a nascent system, of capturing accurate fund-raising activities and costs (e.g., both Ireland and Australia make this point). Even in nations where more established accounting is in place, questions arise about the accuracy of the data. Canada, for instance, cites some 90 percent of registered charities with fund-raising cost ratios below 35 percent, and only 4 percent above 70 percent, but also highlights reasons to question the veracity of these figures (Ayer et al., 2009).

5.4 Trust as a key issue

Trust is a motif raised often in the data, discussed broadly even beyond the context of finances. As Cagney and Ross note,

> Effective structures and regulatory policies are important to drive trust…Donors need to trust that the money will be spent properly – and where it is not, that some judicial process will call the nonprofit organization to account…[because] increased trust will help drive increased giving.

(2013, p. 11)

Several countries, such as Egypt and Bulgaria, discuss donating to formal nonprofit organizations as only a more recent trend due to low trust in these types of entities. Egypt also notes a tendency to give to individuals rather than formal organizations because of trust issues with nonprofit organizations.

5.5 Collaborative efforts to encourage generic giving

Another emergent trend is more collaboration to encourage generic giving – that is, to whichever general cause area the donor prefers, rather than by and to the potential recipient nonprofit organization. The Canadian data mentions collective efforts such as the Humanitarian Coalition, which is a joint appeal mechanism for international relief, as well as CanadaHelp.org, which is an online facility to enable donations for all Canadian registered charities. Similar national platforms exist elsewhere (such as Israel Gives and Round-up Israel, 2013). As noted in Section 3.4, new technology enables the encouragement of generic giving and also facilitates similar approaches to support giving between nations, such as microfinance/crowdfunding sites like Bank4hope and Sharewood as mentioned in the Finnish fund-raising entry.
6. Key differences faced by fund-raisers around the world

Despite the similarities noted above, the global fund-raising sector is by no means heterogeneous. Here we identify four key differences faced by fund-raisers operating in different parts of the world. As these re-cap many points made above, we simply summarize the ground they cover:

6.1 Formalization of the fund-raising profession

The existence of a professional body, the availability of skills training and university-level education, the extent to which research occurs, debates about paid staff versus volunteers and public willingness to accept that costs are an integral part of fund-raising rather than a sign of money being ‘wasted’ on reasonable overheads.

6.2 Public attitudes toward fund-raising

Whether public attitudes are conducive (e.g., where being a philanthropist is an aspirational identity) or work against the efforts of fund-raisers (e.g., where there is widespread cynicism about the motives of donors); whether there is a preference for smaller or bigger government and whether or not there is a common belief that success in fund-raising either aids or undermines this preference.

6.3 The stage of development of fund-raising ‘technology’

What methods are used and with what success, and whether fund-raising techniques are primarily transaction-based or focused on relationship-building.

6.4 The maturity of the domestic donor pool

How commonplace is donating in the general population; what share of GDP is ‘spent’ on philanthropy; what levels of wealth are found in the donor pool; and does the general poverty of the local population create a need to look abroad to fund-raise from the diaspora community.

As this section shows, there are many fundamental differences faced by fund-raisers around the globe. Fund-raising does not happen in a vacuum, and its success (or otherwise) is in part out of the hands of those asking for money because they operate in a context not of their design. Local attitudes towards wealthy donors and dominant national perspectives on the ‘right’ role for philanthropy vis-à-vis tax-funded provision clearly influence the ability of those seeking to raise voluntary income.

7. A new typology of global fund-raising

Academic disinterest in the actions and attitudes of askers persists, despite the documented professionalization of fund-raising in many countries and the
nascent development of a global collegiality. As Table 33.1 shows, 21 coun-
tries now have a formal body representing and regulating members working
as fund-raisers, and in many cases also offering training and accredited qualifi-
cations. There are also intentionally global, sector-led initiatives, such as the
aforementioned Showcase of Fundraising Innovation and Inspiration (www.
sofi.org) that enable fund-raisers to share ideas with others seeking to generate
voluntary income wherever they are based in the world.

Based on the data contained in this book, as summarized above, we suggest
that a typology can be helpful in characterizing the present state of fund-raising
across the world (see Table 33.2).

To a large extent, this typology mirrors the maturity of the charity sector
in each country/region and is likely related to the development and extent of
charitable giving and philanthropy that is charted elsewhere in this book.

8. Future research directions

The extant data on fund-raising is focused on techniques, strategies and organi-
zation, rather than the implicit processes involved in working with donors and
the lived experience of asking for money. We therefore know much about how
to do fund-raising, but almost nothing about how to be a fund-raiser. A possible
exception we can find is Steele and Elder’s exploration of the issues faced by
librarians in acquiring the personal and social skills required to raise voluntary
income for their libraries (2000). Those who solicit donations are engaged in a
task unlike any other: while their job description focuses on the generation of
voluntary income, in reality they are in the business of forging relationships,
often with very wealthy and powerful people who can be difficult to gain access
to and whose lifestyles are likely to differ markedly from the fund-raiser who
is seeking to make a connection with them. Despite the difficulties inherent
in the task, the goal is one that many people find a worthwhile focus for their
career – encouraging generosity in order to shape and change the world.

This chapter summarizes what we know about the organization of fund-
raising around the world, but future research needs to delve deeper into the
lived reality of asking for money for a living. So many topics emerge from
this chapter for the international research agenda. For example, a compara-
tive look at the impacts, philosophies, strategies and government/community
support of professional membership bodies and intermediary groups, as well as
the influence of both multinational corporations and nonprofit organizations
on fund-raising, would all be worthy of further investigation.

9. Conclusion: Fund-raising in the 21st century

Fund-raising is a dynamic profession that will carry an ever-increasing responsi-
bility during the coming decades for communicating the existence of need and
the opportunity to make the world a better place. The job of a fund-raiser is only superficially about ‘raising funds.’ In fact, it is a far more complex and meaningful job that is focused on encouraging generosity and creating opportunities for ordinary people to do something extraordinary.

The techniques involved in undertaking this task are also becoming more complex, as new fund-raising methods are emerging that are largely additional to – rather than replacements for – traditional channels (Blackbaud, 2012). This situation of ever-increasing innovation and opportunity requires greater ingenuity from fund-raisers, especially at a time when budgets are under pressure. As other studies of global fund-raising have noted,

In order to meet an increase for demand in services with relatively flat funding, organizations have had to tighten their fiscal belts… They’ve relied on their existing donors to carry their funding while using technology in new and innovative ways to reach new donors and maintain or increase earned income.

(Blackbaud, 2011, p. 2)

We highlight three points to conclude this overview of fund-raising around the globe:

First, there will be increased demand for the services of fund-raisers, as the numbers of the super-wealthy, the wealthy and the mass affluent grow across the globe, including in countries that have not traditionally had a domestic donor pool.

Secondly, there will be a need to build and maintain trust in the fund-raising profession around the globe, because the demand for cross-border giving will rise as donors’ lifestyles become ever more cosmopolitan. Just one experience of bad practice and fraud – even if only experienced second-hand through the media or from peers – can undermine the trust and confidence of those who might otherwise have been willing to give.

Thirdly, in order to rise within the typology to become an ‘established’ or even ‘advanced’ fund-raising regime, the fund-raising profession in each country needs to become better organized, and fund-raisers need to shift the focus of their work from efforts that succeed in the short-term at attracting donors to make one-off transactions toward techniques that are part of long-term efforts to build enduring relationships that enrich the donor’s life while ensuring good works can be funded.

The fund-raising profession’s role of encouraging generosity places it at the heart of promoting and delivering public goods and makes it an ever-more attractive field for researchers who wish to gain a better understanding of this important area of activity. For this thinly researched discipline, taking a wider, cross-national lens rather than looking at a single country provides new
perspectives, more data and the potential for more sector benefit from good evidence-based findings about fund-raising.

Notes

1. The field of philanthropic studies emerged toward the end of the 20th century, notably in the United States where academic research centers focused on studying philanthropy were established at Duke University in 1986 and the University of Indiana in 1987.
2. The nine countries that participated in the Blackbaud 2012 survey are Australia, Canada, France, Germany, Italy, the Netherlands, New Zealand, the United Kingdom and the United States.
3. The 2011 survey uses the same methodology as the 2012 survey and is based on data from nonprofit organizations in the same nine countries.
4. According to the United Way International website, it does not operate in Austria, Bulgaria, Egypt, Finland, Ireland, Lebanon, the Netherlands, Switzerland or Vietnam (http://worldwide.unitedway.org/, viewed 20/10/13).
5. Some countries do not have such an association although some of those without an association nominated here have a chapter of the Association of Fundraising Professionals. Others may have several organizations that foster fund-raising in a particular area (such as the Council for Advancement and Support of Education or the Association for Healthcare Philanthropy). This table collates what the country authors have nominated as the organization’s fostering fund-raising in a general sense.

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The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective

Pamala Wiepking and Femida Handy

1. Introduction

The Palgrave Handbook of Global Philanthropy provides a broad and in-depth view into philanthropy across a large range of countries, mostly situated in Northern America, Europe and Asia. The authors of this volume describe in detail how philanthropy is organized in the countries under study and explain which factors unique for their country facilitate or inhibit the nonprofit sector and philanthropic giving. In this concluding chapter, we start by summarizing the general patterns of the nonprofit sector and philanthropic giving in the countries included in this edited volume. We present the typical characteristics and developments, illustrated with quotes from the different country chapters. We end this conclusion with the eight contextual factors that facilitate philanthropic giving, which we distilled from the factors identified as facilitating or inhibiting philanthropy in the countries under study. These eight factors can be used as instruments to shape a society with the best conditions for philanthropic giving.

2. The philanthropic landscape

2.1 History

In many countries, the historical development of the nonprofit sector reflects the countries' historical, political, geographical and economic changes over time. Almost all countries exhibit strong evidence of philanthropy throughout history, and authors often reflect upon the deeply rooted culture of philanthropy in their country. Examples from the country chapters include, ‘Ireland has a strong reputation and culture as a charitable nation’ (Breen & Carroll, this volume, p. 204), ‘Indonesia has a strong tradition of giving deeply rooted in Islamic culture’ (Osili & Ökten, this volume, p. 401) and ‘Israel’s rich
philanthropic landscape dates back to biblical times, showing both change and continuity throughout the years’ (Katz & Greenspan, this volume, p. 316).

However, there is one exception to this pattern. As the authors of the South Korea chapter note,

South Korea has a relatively short history on philanthropy. The country was a recipient of global philanthropy until the 1970s. However, since the successful transformation of the nation with economic growth and democratization in the 1980s, South Korea has begun to develop a rich philanthropic sector, becoming one of the most active nations in global philanthropy. 

(Kang, 2005) (Kang, Auh, & Hur, this volume, p. 426)

Often, the church is strongly involved in historical philanthropic efforts in a country. For example, as the French chapter states, ‘The history of the French philanthropic sector can be traced back to the middle ages, when the Catholic Church created charitable organizations devoted to the care and relief of underprivileged citizens (orphans, poor and sick people)’ (Gautier, Pache, & Mossel, this volume, p. 137). The Irish chapter expresses similarly:

Ireland has a long history of philanthropy, rooted in a strong religious tradition. In the late 1700s, Protestant philanthropy helped to alleviate the physical and medical needs of the impoverished working classes (Kelly & Powell, 2010). Beginning in 1770, the incremental waning of the Penal laws enabled the growth of Catholic charities (Raughter, 1997). Following Catholic emancipation in 1829, greater Catholic clergy involvement in charitable activity emerged with religious involvement in philanthropy becoming more formalized in Irish society.

(Breen & Carroll, this volume, p. 190)

Sometimes philanthropy mirrors the style of those settling in an area, as is the case in Australia: ‘European settlement heralded a British style of charity. Churches conducted social work, as did institutions such as the Benevolent Society, Australia’s oldest existing charity, formed in 1813’ (Scaife McDonald, Williamson, & Mossel, this volume, p. 488).

There are three noteworthy political influences on the development of the nonprofit sector among the countries covered in this volume. First, the introduction of welfare laws in the early 19th century and development of welfare states across most of Western and Northern Europe in the 20th century significantly affected the development of the nonprofit sector in these regions. Welfare states slowly replaced nonprofits and religious institutions in the provision of public goods and services, as noted by the authors of the Swiss chapter: ‘Philanthropic giving plays an important role in the history of Switzerland. Many of
today’s existing welfare services were founded privately before becoming institutionalized. Even though spending on social services is increasing, a strong sense of civic responsibility persists due to an enduring liberal tradition’ (von Schnurbein & Bethmann, this volume, p. 281). The introduction of welfare states resulted in decreasing public support and donations for nonprofits, as shown in the Irish chapter: ‘The introduction of the Poor Laws to Ireland in 1838, which brought into existence a statutory relief system for the destitute, however, led to a fall off in charitable donations and resulted in some charities ceasing to operate thereafter (Cousins, 2008)’ (Breen & Carroll, this volume, p. 190). After the introduction of the welfare state, the nonprofits had to redefine their goals and reposition themselves in their relationship with the state. In Switzerland, ‘With the increasing embodiment of the welfare state in the 20th century, many nonprofits lost their initial meaning, and a subsidiary relationship to the state emerged’ (Von Schnurbein & Bethmann, this volume, p. 267). This is also well described by the author of the Norwegian chapter:

[…] it gradually became clear that the voluntary sector lacked the necessary capacity and resources to meet these [welfare] needs. Thus, the state became accepted as the only source of funding capable of meeting welfare needs (Kuhnle, 1983; Kuhnle & Selle, 1990). Nevertheless, some (limited) space exists for voluntary organizations to provide welfare services in collaboration with the public sector. As such, voluntary and public sector welfare provision have grown simultaneously. While welfare provision grew, donations remained scarce as strong sentiments against philanthropy evolved. First, the labor movement considered philanthropy as a concealment of underlying social problems or as a cover operation for rich to help the rich. Later, organizations for sick and disabled people argued that nobody should have to rely on other people’s generosity to pay for his/her basic needs. State guarantee to meet these needs was a matter of dignity and basic human rights. […] Philanthropy has rather been regarded as a largely unnecessary and outmoded concept, except for serving certain fields perceived as outside the public sector’s core responsibility, such as missions, religious congregations, help to the homeless and substance abusers and foreign development and disaster aid.

(Sivesind, this volume, p. 231)

Second, the change of political regimes can have a great influence on the development or even discontinuation of the nonprofit sector. The founding of People’s Republic of China is one example of this trend: ‘However, when the People’s Republic of China was founded in 1949, philanthropy came to a halt. It was viewed as unnecessary in a Socialist country, where the state was supposed to provide all social welfare to its citizens’
In Bulgaria, the start of communist rule in 1944 led to state control of the nonprofit sector: ‘In particular, a 1951 decree by the Council of Ministers rendered charity organization illegal and nonprofits were liquidated, nationalized and assimilated in the subsequent years […]’ (Bieri & Valev, this volume, p. 119). Interestingly enough, after communist rule ended, there was a strong re-emergence of the nonprofit sector in Bulgaria: ‘With the transition from communism during the 1990s, Bulgaria witnessed large numbers of new registrations of nonprofit organizations: on average 2,500 new nonprofit organizations were founded each year (Gorchilova, 2010b). This trend was largely spurred by foreign donor money entering the country (Kabakchieva, 2001)’ (Bieri & Valev, this volume, p. 119).

Third, political conditions and levels of economic development in both donor and recipient countries influence countries to accept (and actively seek out) foreign donor money. This trend is subject to alterations as underlying influences change, as demonstrated by the countries of Indonesia, Vietnam, Israel and countries in the Caribbean. Foreign money, which can come by means of Official Development Assistance (ODA), Non-Governmental Organizations (NGOs), religious institutions or remittances, has a strong effect on the development of local nonprofit sectors. Indonesia was hit by the Indian Ocean Tsunami in 2004, after which another tsunami flooded the country. In response, foreign financial support flowed into the country to provide disaster relief and help rebuild it. The authors note,

Recent economic events have increased the visibility of philanthropic institutions in Indonesia. In response to the Asian Tsunami in 2004, private donors in the United States, the United Kingdom and many developed countries contributed to the relief and rebuilding efforts in Indonesia. Several foundations, including the Titian Foundation, were founded to support the rebuilding of villages destroyed by the tsunami and have since contributed to other disaster relief projects in other parts of Indonesia.

(Ösili & Ökten, this volume, p. 395)

As the economic development of underdeveloped countries accelerate, foreign funders are less likely to target their funds to these countries. For example, as Vietnam develops into a stronger economy, foreign donor money is actually being withdrawn. Although Vietnamese nonprofits now face the challenge of maintaining current levels of service provision, this withdrawal also provides opportunities to the local nonprofit sector. In response to the withdrawal of foreign money, the government announced their intention for greater collaboration with nonprofits as well as their support for a civil society organization resource center (Nguyen & Doan, this volume). Remittances, however, remain
an important source of foreign donor money in Vietnam, with the chapter authors noting a positive development:

History and tradition reflect a willingness among overseas Vietnamese to send money back to their home country. As overseas Vietnamese achieve greater financial stability and make more frequent trips back to Vietnam, some – particularly the second generation – have moved towards collective rather than individual remittance giving. Overseas Vietnamese charitable giving for apolitical humanitarian causes in Vietnam is now widespread (Truong, Small, & Vuong, 2008). An increasingly well-to-do Vietnamese Diaspora, therefore, presents potential for further philanthropic investment into Vietnam.

(Nguyen & Doan, this volume, p. 482)

The exception to this trend is Israel. Foreign money continues to hold great importance in Israel’s nonprofit sector. As the authors of the chapter on Israel note, ‘Israel is probably the only developed nation that imports rather than exports philanthropy (Gidron et al., 2003). This is a direct continuation of the tradition of religiously based, and later Zionist, support to the Jewish community in Palestine’ (Katz & Greenspan, this volume, p. 333).

In many of the Caribbean countries (as well as in many developmental countries), remittances are an important source of income for the population as well as local nonprofit organizations, as remarked by the author:

Emigration from the Caribbean – primarily to the United States, Canada and the United Kingdom – throughout the twentieth century resulted in a regular influx of remittances, contributing to a pre-recession high of more than US$8 billion in 2008 alone (The World Bank, 2011). […] in many cases these funds help families stave off poverty and the need to seek local social supports. Aside from remittances, leaders among the Caribbean diaspora have established associations and foundations abroad which maintain community connections and raise funds to send back to their home countries for projects such as schools, scholarships and hospitals (Johns, 2010).

(Hale, this volume, pp. 89–90)

Beyond the positive effects, however, foreign donor money (and to some extent remittances) have some serious side effects that should be considered even though they are not clearly mentioned by the authors. For example, many concerns have been raised about charitable donations to philanthropic organizations raising funds for foreign countries; these concerns also surround direct remittances sent to home countries by diaspora populations. Such transfers of
funds across national boundaries sometimes exacerbate persistent inequities in the country of origin (Sidel, 2004) or can negatively impact the local economy and long-term equitable development in poor countries (Orozco et al., 2005). In addition, some scholars argue that foreign funds can be targeted by diaspora populations to extremist organizations in their countries of origin. Kapur et al. (2004) notes that Indian, Sri Lankan Tamil and Pan-Islamic diasporas show some evidence of having created ‘charities’ that mix philanthropic giving and relief efforts with violent political movements.

2.2 Size and scope of the nonprofit sector

As explained in Chapter 2 and in Chapter 29, one explanation of the nature of nonprofit sector is the social origins theory put forward by Salamon and Anheier (1998). In the social origins theory, the authors eschew single factor theories of market and government failure. They proposed and tested the social origins theory, which focuses on an array of societal, political and economic factors to explain the nonprofit phenomenon in a comparative perspective. They suggested that institutional choices about whether to rely on the state, market or nonprofit provision of social and other services depends heavily on the historical development and changing societal patterns within a country. In their resulting model, Salamon and Anheier (1998) identified four different ideal types of nonprofit sectors: liberal, social-democratic, corporatist and statist nonprofit sectors. This categorization is based upon a two-dimensional approach in which level of government social welfare spending and size of the nonprofit sector determine the nonprofit sector type. Based on the information collected in this volume, Einolf found only partial support for the social origins theory. We refer to Einolf’s Chapter 29 for a detailed discussion of these findings, including a categorization of the different ideal types the countries in this volume reflect as well as interesting suggestions for modifications to the social origins theory, especially in relation to developing countries.

There is an enormous variation in the size and the scope of the nonprofit sector across the countries included in this volume, as can been seen in Figure 34.1. Figure 34.1 depicts the relationship between the level of public social expenditures as a percentage of GDP and the number of nonprofits per 1,000 inhabitants in a scatterplot – the two characteristics on which Salamon and Anheier (1998) base their social origin theory. Figure 34.1 shows a positive curvilinear relationship between the level of public social expenditures as a percentage of GDP and the number of nonprofits per 1,000 inhabitants (with a linear correlation of $r = 0.59$, $n = 19$, $p = 0.007$). Typically, a higher level of public social expenditures is correlated with more active nonprofits per 1,000 inhabitants. Of course, in countries with high public social expenditures, and in which the state and the nonprofit sector have a supplementary relationship, a substantial part of the public social expenditures will be directed toward the
nonprofit sector, hence resulting in a larger nonprofit sector. This is discussed below.

2.3 Government policy in the nonprofit sector

2.3.1 Government support

In Chapter 30 about the influence of government support on philanthropy across nations, Nguyen\(^2\) shows the percentage of funding that nonprofit organizations receive from the government for the countries included in this volume. As Nguyen states,

In general, governments in developed countries have high levels of welfare and serve as major donors to their respective nonprofit sectors. In most of these countries, government support comes in the form of contracts whereby nonprofits deliver specific services to society, such as education and health care. These states rely on the nonprofit sector to provide services, some more heavily than others, and the nonprofit sector plays a supplementary role to the government.

(Nguyen, this volume, p. 532)

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\(^2\) Nguyen, this volume, p. 532

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**Figure 34.1** The level of public social spending (OECD, 2007) and the number of nonprofit organizations per 1,000 inhabitants (this volume, Chapters 3–5, 7–11, 14–19, 23–26, 28) (N = 19)

Notes: For the Caribbean, Hong Kong, Ireland, Norway and Vietnam, we have no information about the estimated number of nonprofit organizations; for the Caribbean, China and Lebanon, we have no information about the level of public expenditures.

Sources: Number of nonprofit organizations: individual country chapters, this volume; number of inhabitants: Worldbank (2013); level of public expenditures: individual country chapters, this volume (mostly derived from OECD, 2007).
Across most developed nations, the nonprofit sector is thus largely dependent on financial support from the government. During the recent economic turn-down starting in 2008, most (welfare) states cut their support for the nonprofit sector, leaving many state-dependent nonprofits in a difficult situation. This challenge is well phrased by the authors of the French chapter:

As in other Western countries, nonprofit organizations in France face a difficult financial situation. First, government subsidies have either stagnated or changed in nature. The state has transferred many responsibilities to regional and local governments, including subsidies for nonprofit organizations. [...] Second, the recent economic recession has increased the demand for welfare services to address the needs of the poor. Forced to address more needs with fewer resources, the French nonprofit sector is experiencing a wave of mergers, budget cuts and restructuration (Archambault, 2011).

(Gautier, Pache, & Mossel, this volume, p. 141)

In order to survive, the state-dependent nonprofits need to start diversifying their income sources, which is quite difficult in a country where the public believes certain public goods and services are the responsibility of the government and not the nonprofit sector.

2.3.2 Fiscal incentives

Fiscal incentives for donations are one of the instruments governments have to increase philanthropic donations. Across the range of countries included in this volume, there is a large diversity in the use and broadness of fiscal incentives for giving. Most countries offer some form of fiscal incentives for citizens in order to stimulate philanthropic giving. Usually these incentives are in the form of allowing people to deduct donations from taxable income or in the form of tax credits. The only exception is Finland, where there are no fiscal incentives for individual donations. For an overview of the different fiscal incentives used in the countries included in this volume, we refer to Layton’s Chapter 31 on the influence of fiscal incentives on philanthropy across nations.

In Chapter 31, Layton summarizes the differences in fiscal incentives between countries as follows:

[...] states that hold their nonprofit sectors in high esteem and offer more favorable tax treatment tend to have larger sectors, while those that hold their sectors in lower esteem and have less generous tax policies tend to have smaller sectors. In other words, tax treatment is a fairly reliable, although not infallible, barometer for measuring the relationship between states and nonprofit sectors.

(Layton, this volume, p. 541)
Layton continues,

The general pattern that emerges is that developed nations tend to have more generous incentives offered to donors, a broader range of organizations eligible to receive tax-deductible contributions, and larger nonprofit sectors. The converse of this tendency is that developing nations tend to have less generous in the deductions to donors, a more restrictive range of activities eligible for deductible donations, and smaller nonprofit sectors.

(Layton, this volume, p. 551)

2.4 Regulation of the nonprofit sector

In most countries, the nonprofit sector is regulated through a combination of formal and voluntary regulation systems. Formal nonprofit regulation systems often work through registration for tax deduction. Voluntary nonprofit regulation systems often work through voluntary organizations or third-party organizations that accredit nonprofits, including those that award a ‘seal of approval’ to nonprofit organizations that comply with certain rules and regulations. Countries included in this volume that have such voluntary seals are Austria, Germany, Ireland, Israel, Mexico, the Netherlands, Switzerland and the United States. Some countries have, or have recently transferred to, more formal nonprofit regulation systems in which the government has a stronger influence over the sector, in order to facilitate collaboration between the public and nonprofit sector while assuring citizens that their donations will not be misused, in an attempt to increase transparency and accountability. Notable examples are Australia and Norway. There are other countries with high government regulation, but these are cases where the government wants to have a high level of control over the nonprofit sector, such as in China, Israel and Lebanon. In between these two cases are countries that have a mix of formal and voluntary regulations, which are often executed at different levels of government; for nonprofit organizations in these countries, it sometimes can be a challenge to comply and understand these regulations, as in South Korea.

Norway is an example of a country which recently moved to a more formal nonprofit regulation system:

The Register of Non-Profit Organizations, established in 2009, is intended to simplify the interaction between voluntary associations and public authorities by providing systematic statistics and policy-relevant research and information; in doing so, it aims to strengthen the legitimacy of voluntary activity. Only voluntary associations, non-commercial foundations and limited liability companies that only distribute funds to nonprofit activities are eligible for registration. While registration is optional, the number of registered organizations is steadily increasing as registration is a requirement.
for receiving the grass root share from Norsk Tipping, value added tax (VAT) compensation and other benefits. [...] In addition, there is a register for fund-raising organizations operated by a private foundation called the Fundraising Control [Innsamlingskontrollen] established by the fundraising organizations themselves. It maintains a register that is prescribed by the Law of Registration of Fundraising.

(Sivesind, this volume, p. 236)

In Israel, the ‘Israeli nonprofit organizations operate in a highly regulated environment as a result of the blurred boundaries between the nonprofit sector and the state. In the last decades, and especially since 1980, there has been an increase in regulation in an attempt to improve the control of government on the nonprofit sector and civil society’ (Katz & Greenspan, this volume, p. 322). ‘[...] the Israeli government is losing some of its power over decisions about the amounts and the targets of Jewish philanthropy flowing into Israel. The increased governmental attempts to regulate and restrict nonprofit organizations and their funding sources (Limor, 2010) are most likely a reaction to this trend’ (Katz & Greenspan, this volume, p. 333).

In South Korea, the national government decentralized power to local governments and has made local municipal authorities responsible for regulating most nonprofit organizations (NPOs) by issuing registration permissions and providing financial support. For fund-raising, two different public authorities have been in charge of overseeing NPOs. If the intended amount of fund to be raised is over US$1 million, NPOs report and register their fund-raising activities with the Ministry of Public Administration and Security. If, however, the planned amount for fund-raising is less than US$1 million, the city or local municipal authorities oversee NPOs in that they report and register their fund-raising activities, according to the Act on Collection and Use of Donations 2013 (Article 14). In the latter case, most South Korean NPOs attempt to avoid government regulations by applying various tactics, such as calling their fund-raising efforts ‘sponsor recruitment’, rather than fund-raising.

(Kang, Yoonkyung Auh, & Hur, this volume, pp. 432–433)

2.5 Culture
2.5.1 Religion

Religion and religious values are important drivers of philanthropy across all countries included in this edited volume. As described by Grönlund and Pessi in Chapter 32, religious values and the social ties connecting those religiously affiliated have been an instrumental force for philanthropy in all major world religions, including Buddhism, Confucianism, Shintoism, Taoism,
Islam, Judaism and Christianity. Philanthropic giving is influenced by not only people’s individual religious values and their involvement in religious social networks but also their country’s religious context. As Grönlund and Pessi state,

The connections between religion can be detected at the levels of individuals, communities and cultures, making the processes explaining the influence of religion on philanthropic giving manifold and multidimensional. Psychological processes, dynamics of religious communities, religious cultures and the societal roles and positions of religious organizations in different contexts all influence the ways in which religion and philanthropic giving intertwine. A key connection between religion and giving is its role in building the foundations for philanthropy in countries all over the world. Religious traditions have built, reinforced and carried out culture of philanthropy by encouraging individual philanthropy and initiating social missions alongside public welfare services.

(Grönlund & Pessi, this volume, p. 564)

2.5.2 Professionalism of fund-raising

Fund-raising and fund-raising professionalism are important drivers for philanthropic donations and therefore a well-functioning nonprofit sector. Often people only donate money after they are asked to do so (Bekkers & Wiepking, 2011). Fund-raising professionals play a crucial role in asking people to make donations to nonprofit organizations. Due to decreasing (international) government support for nonprofit organizations, nonprofit organizations will expectedly become more dependent on philanthropic donations as a source of income in the future. Developing a professional fund-raising culture will therefore increase in importance, especially in countries in which fund-raising and the fund-raising profession is currently underdeveloped.

In Chapter 33 on the influence of the practice and organization of fund-raising on philanthropy in a country, Breeze and Scaife classify the different countries included in this volume in a typology of fund-raising professionalism, typifying fund-raising regimes from ‘advanced’ to ‘established,’ ‘evident,’ ‘emerging’ and ‘embryonic.’ One of their conclusions is that

[...] in order to rise within the typology to become an ‘established’ or even ‘advanced’ fund-raising regime, the fund-raising profession in each country needs to become better organized, and fund-raisers need to shift the focus of their work from efforts that succeed in the short-term at attracting donors to make one-off transactions, toward techniques that are part of long-term efforts to build enduring relationships that enrich the donor’s life while ensuring good works can be funded.

(Breeze & Scaife, this volume, p. 593)
The presence of a national representative organization (or peak or umbrella organization) that represents nonprofits as well as those active in the fund-raising profession can significantly impact the professionalism of the organization of fund-raising. These organizations can represent nonprofits in consultations with the government and can lobby for nonprofits’ interests in the case of policy reforms. In addition, these representative organizations can advocate for the development and continuation of educational programs for those (interested in) working in the nonprofit sector. In many countries, formal educational programs training people to work in the nonprofit sector are rare or even nonexistent. Thus, these representative organizations can lobby for collective employment agreements that make working in the nonprofit sector a more attractive option for employees.

One common theme regarding fund-raising across countries included in this volume is the discussion about acceptable overhead costs for fund-raising. As Breeze and Scaife remark in Chapter 33,

> Fund-raising costs are contentious in almost every country and words like ‘transparency’ and ‘accountability’ are dotted throughout the countries’ fund-raising entries. […] Public and governmental concerns that fund-raising investment implies wastefulness can be seen in many countries’ fund-raising summaries, and a subsequent lack of clear reporting as to how much is actually spent on different fund-raising methods does not help the situation. […] Cross-nationally, there appears to be little appreciation of the fact that there is no free way to collect money. Even an apparently cost-free solicitation method, such as a collection box, needs to be purchased and emptied regularly; then someone needs to bank the money, spend it in the way donors expect and finally account for it. Even if a volunteer undertakes these tasks, they may be supported by a paid volunteer manager, or their time understood as an opportunity cost (instead of fund-raising they could have been delivering the service), so the process of collecting money is never entirely ‘free.’

(Breeze & Scaife, this volume, p. 589)

Table 34.1 lists the countries in this edited volume in which some form of cost ratio or fund-raising ratio exists. To our knowledge, there is no such ratio in the other countries included in this edited volume.

In Austria, donors are only allowed to deduct donations from their taxable income if the recipient nonprofit organization is registered with the Ministry of Finance (a fund-raising regulation similar to those of other countries like the US and Canada). Although this registration is voluntary, most nonprofit organizations want to offer deductibility of donations to their donors. This registration is conditional upon – among other conditions – the organization not
Table 34.1 Countries with a formal or voluntary cost ratio

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Formal regulation (voluntary complying): 10% (administration costs)</td>
</tr>
<tr>
<td>Germany</td>
<td>Formal regulation (voluntary complying): 10% (costs)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Voluntary (third-party monitoring): 25% (fund-raising)</td>
</tr>
<tr>
<td>South Korea</td>
<td>Formal regulation (obligatory complying): 10% (fund-raising and overhead costs)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Formal regulation (obligatory complying): 30% (anything but operating expenditures); 15% (fund-raising)</td>
</tr>
<tr>
<td>United States</td>
<td>Voluntary (third-party monitoring), Charity Navigator: 30% (administrative and management expenses); 25% (fund-raising)</td>
</tr>
<tr>
<td></td>
<td>Voluntary (third-party monitoring), Better Business Bureau: 35% (administrative and management expenses); and 35% (fund-raising)</td>
</tr>
</tbody>
</table>

spending more than 10 percent of total donations received on administration costs. Administration costs in this case refer to only the costs related to the administration of the donations, not to fund-raising, staff, or other overhead expenditures (Neumayr, this volume). Similarly, tax authorities in Germany use a fixed cost ratio of 10 percent in order to allow registration for nonprofit status. However, Germany allows much higher cost ratios in the first four years after the nonprofit organizations’ establishment, taking into account that relative costs are much higher for nonprofits in the first few years (Mews & Boenigk, this volume).

In the Netherlands, there is a voluntary fund-raising ratio. When organizations apply for voluntary registration with the Central Bureau for Fundraising (a third-party monitoring organization), they have to comply with a fund-raising ratio of 25 percent. Accredited organizations can only spend 25 percent of the average proceeds from funds raised over the past three years on current fund-raising (Wiepking & Bekkers, this volume).

In South Korea, the government has enforced restrictions on overhead costs and costs involved with fund-raising. Nonprofit organizations can spend a maximum of 10 percent of the total funds raised on overhead and fund-raising expenses (Kang, Auh, & Hur, this volume). In Taiwan, all nonprofit organizations are required to register with government agencies. Moreover, nonprofit organizations must spend at least 70 percent of the annual recurring revenues and interest on the main goal of the nonprofit organization. Nonprofit organizations can thus spend a maximum of 30 percent on fund-raising, staff, administration and other overhead costs. In addition, fund-raising expenses are capped at 15 percent of total revenue (Lo & Wu, this volume).
In the United States, there are two voluntary third-party monitoring regulatory initiatives: Charity Navigator and Better Business Bureau (BBB). Both initiatives have their own fund-raising and cost ratios that registered organizations have to comply with. Charity Navigator rates the registered nonprofits mainly based on the administrative cost ratio (maximum of 30 percent) and the fund-raising cost ratio (maximum of 25 percent). The Better Business Bureau evaluates more criteria than Charity navigator and also requires registered organizations to spend less than 35 percent of their budget on administrative and management costs and less than 35 percent on fund-raising costs (Brown et al., this volume, p. 48).

3. What promotes giving? Eight facilitating factors

Underlying philanthropy is the perennial question: Why do individuals freely and voluntarily practice philanthropy? Why do they give away their hard earned resources for the betterment of others? What factors facilitate or inhibit the practice of philanthropy? Thus, it is a fitting conclusion to this edited volume, The Palgrave Handbook of Global Philanthropy, which provides a broad and in-depth view of philanthropy across a large range of countries, to summarize the findings across countries in response to the question we set out to answer: What contextual factors facilitate philanthropic giving? Why do people in one country give more frequently and more generously to nonprofit organizations than people in another country?

The authors of this volume explain which factors unique for their country facilitate philanthropy and the nonprofit sector. Based on this volume of research, what can we conclude about major facilitating and inhibiting forces for philanthropic giving?

At first glance, the authors mention 136 factors facilitating or inhibiting philanthropy in their countries.3 Interestingly, there was large overlap in the factors mentioned by the authors. Consequently, we reduced their 136 recommendations to eight common factors that can either facilitate or inhibit philanthropy, depending on how they are present in a country. We present here the eight major facilitating factors for philanthropy mentioned by the authors. Some of these factors have been described extensively earlier; in that case we refer to the corresponding paragraph for an explanation of this factor.

**Eight facilitating factors for philanthropy**

1. A culture of philanthropy
2. Public trust, issues of transparency, accountability and effectiveness
3. Regulatory and legislative frameworks
3.1 A culture of philanthropy

Cultural values are of great importance for a thriving nonprofit sector. In a country where philanthropy and the nonprofit sector are commonly perceived as more relevant and important, people are more inclined to provide support. One of the cultural values facilitating philanthropy is the perception that philanthropy and the nonprofit sector are instrumental in the provision of public goods and services: without philanthropy, public goods and services will not be provided, or at a much lower rate than is desired. This perception is, for example, common in the United States, Russia and South Korea. The US chapter authors explain this facilitating factor well:

As a classic liberal regime (Salamon & Anheier, 1998), the United States has a strong and relatively unregulated nonprofit sector as well as high participation in charitable giving. Compared to other industrialized democracies, the United States has a weak central government, less social welfare program spending, and lower taxes on the wealthy. These governmental features assist the development of the nonprofit sector, while the nonprofit sector provides services that in other industrialized countries the government provides.

(Einolf, Brown et al., this volume, p. 60)

In contrast, people living in welfare state regimes commonly perceive philanthropy and the nonprofit sector to be supplementary to the state. They feel that the government is responsible for providing key public goods and services, and not the nonprofit sector. This typically inhibits people’s willingness to make philanthropic contributions, especially toward sectors that are considered to be the core of the welfare state, such as the health and education sector. In welfare state regimes, people typically support nonprofit organizations in sectors such as international relief, culture, arts and sports and recreation. The perception of government responsibility for public goods is specifically mentioned as one of the inhibiting factors in Austria, Finland, the Netherlands and Norway.

Another aspect of a ‘culture of philanthropy’ is whether philanthropic giving is something that is very visible and discussed openly, or whether people typically do not discuss their philanthropic behavior. In France, there is an increase in the number of philanthropists that openly discusses their giving. In Switzerland, on the other hand, there is an ‘[…] existing reluctance of
wealthy people to talk about their philanthropic activities.’ The authors con-
tinue: ‘Creating a culture of “philanthropic talk” may be more effective and 
sustainable for future giving than tax deductions or other extrinsic incentive’ 
(Von Schnurbein & Bethmann, this volume, p. 282). Openly discussing dona-
tions and celebrating philanthropic donors stimulates a philanthropic culture 
and with that, philanthropic giving (McDonald & Scaife, 2011).

Moreover, the presence of many visible major donors in a country motivates 
other wealthy individuals to follow their example, as discussed in the country 
chapters for the United States and the United Kingdom. A strong example is 
the Giving Pledge, in which American billionaire Warren Buffett pledged to 
give away 99 percent of his fortune to the Bill and Melinda Gates Foundation 
in 2010 (The Chronicle of Philanthropy, 2010). The Giving Pledge inspired many 
other wealthy individuals in the United States and across the world to give 
away over half of their wealth to philanthropy. In South Korea, the lack of 
major donors is seen as a factor that possibly inhibits philanthropy.

3.2 Public trust, issues of transparency, accountability and effectiveness

Public trust is often considered one of the most important facilitating factors 
for philanthropy (Bekkers, 2003). If people do not trust that nonprofit organi-
izations spend their money well, in line with the organizations’ mission, and 
without too much overhead costs, then they will not give. The authors in this 
volume agree to a large extent with the importance of public trust for a thriving 
nonprofit sector. In Bulgaria, the Caribbean, China, Indonesia, Mexico, Russia 
and Vietnam, low public trust in nonprofit organizations is mentioned as one of 
the inhibiting factors for philanthropy. In Canada, the opposite is true, where 
high public trust is considered a facilitating factor for philanthropy.

In addition to low public trust, many countries’ philanthropy is inhibited 
by low transparency, public accountability and effectiveness of the nonprofit 
sector. This is mentioned as an inhibiting factor for philanthropy in Australia, 
Hong Kong, Indonesia, Mexico, Taiwan, Vietnam and China. Having transpar-
ent, accountable and effective nonprofit organizations will positively influence 
public trust and with that philanthropic giving. However, although the issues 
of transparency, accountability and effectiveness have room for improvement 
across countries, an actual problem with these issues does not always exist. 
Rather, the problem is merely the public’s perception of lack of transparency, 
accountability and effectiveness. The public is often not aware of credible infor-
mation regarding these issues. The Dutch authors note: ‘A survey study does 
show that people overestimate the amount nonprofit organizations spend on 
salaries and these ‘overhead costs’ enormously. While people believe nonprofits 
spend on average 25 percent on non-project related costs, in reality this figure 
is 12 percent [in the Netherlands] (VFI, 2012a; Wiepking Bekkers, Gouwenberg, 
Schuylt, Mariani, & Wijs, 2007)’ (Wiepking & Bekkers, this volume, p. 218).
Most charitable donors are so-called penny donors, making only small or modest donations to organizations. These donors have no incentive to spend time or energy on finding out what actually happens with their small donations. Moreover, small donations avoid associated risks with seeking information. For example, finding out that a nonprofit organization did not spend one’s money wisely disrupts a donor’s positive emotions associated with the act of giving. Although small donations may be less risky, they also signal that giving to these organizations is not a salient but merely something donors do spontaneously, for example, because they were asked to do so. However, even these small donations create positive externalities, such as feelings of warm glow and propel the donor to continue giving (Bekkers & Wiepking, 2011; Handy, 2000).

3.3 Regulatory and legislative frameworks

Stronger government regulation and legislative frameworks for the nonprofit sector can have both positive and negative effects on philanthropy. Stronger government regulation can be beneficial for philanthropic giving by increasing donor trust through measures of transparency, public accountability and possibly effectiveness. If all nonprofits in a country were required to uphold the same enforceable standards – comply with the same regulations, publicly account for their activities and were eligible for the same tax benefits – there would be less ambiguity about whether nonprofit organizations effectively spend donations and subsidies. Stronger government regulations can thus have a positive impact on donor trust.

Not only does stronger government regulation increase trust, but it can also make nonprofit organizations more effective. A certain level of professionalism is necessary to comply with such regulations, and this professionalism can also be beneficial for achieving the nonprofit organizations mission. On the other hand, complying with many rules and regulations will put administrative pressure on a nonprofit organization and will lead its staff to spend a substantial amount of time with administrative tasks. This time cannot be spent on achieving the organization’s mission. Hence, in some cases, stronger government regulation can also lead to diminished effectiveness of nonprofit organizations.

Examples of countries in this edited volume where stronger government regulation is beneficial for philanthropic giving are Australia and Canada. In several countries, there are currently initiatives to implement new juridical tools. This is the case in France, Ireland, Japan, Russia and South Korea. The authors of these chapters indicate that the implementation of these new juridical tools can be expected to have a positive effect on philanthropy. In countries where government regulations create inequalities between nonprofit organizations, or where government regulation is used to control the nonprofit sector,
stronger government regulation has a negative impact on philanthropy. This appears to be the case in Egypt, Israel, Lebanon and Russia.

Based on the findings in this edited volume, we suggest that it is likely that government regulations for the nonprofit sector can be beneficial for philanthropy, under two conditions: when enforced in a democratic society and with attention to the administrative pressures of implementing the regulations.

In addition to government regulation, several countries in this volume have voluntary regulation of the nonprofit sector, either through a self-regulatory system or through a third-party monitoring regulatory system. In Chapter 2, we provided examples of a self-regulatory system and a third-party monitoring regulatory system as operated in the United Kingdom and the Netherlands, respectively. Other examples of countries with voluntary regulatory systems include Austria, France, Germany and the United States.

Often nonprofit organizations complying with these voluntary rules and regulations can carry a ‘seal of approval,’ signaling to potential donors that they are trustworthy. In the United States, there are even two voluntary third-party monitoring regulatory initiatives, Charity Navigator and Better Business Bureau (BBB). Both initiatives have their own guidelines with which nonprofit organizations have to comply in order to register. Although research has shown that voluntary regulatory systems can increase donor trust (Bekkers, 2003), having several initiatives in one country can also confuse donors about what a ‘good charity’ comprises of and thus be counterproductive. In addition, registration with voluntary regulation initiatives also involves administrative costs; thus, the more voluntary registration initiatives, the higher the administrative burden on nonprofit organizations.

3.4 Fiscal incentives

In many countries in this volume, fiscal incentives for philanthropic donations, or lack of them, are considered an important factor influencing philanthropy. Fiscal incentives are one of the tools the government can use to stimulate philanthropy. In addition, governments can use fiscal incentives to enforce regulations, by stipulating conditions under which nonprofit organizations and their donors are eligible for fiscal benefits. Typically, governments that support the provision of public goods through the nonprofit sector have better fiscal incentives. For more information about the facilitating role of fiscal incentives for philanthropy, we refer to Layton’s discussion of the importance of fiscal incentives in Chapter 31, and to Section 2.3.2 in this chapter.

3.5 The state of the nonprofit sector

As many authors note, a thriving nonprofit sector is instrumental for philanthropy. When nonprofit organizations are well funded, well organized and
professional in their operations, donors are more inclined to contribute to the philanthropic sector. One key aspect authors mention is the professionalization of the nonprofit sector. Increased professionalism in the nonprofit sector implies moving away from grassroots organizations that are heavily reliant on volunteer labor to more bureaucratic organizations with formal procedures and paid employees who are pursuing full-time careers, have credentialed skills and are willing and capable of integrating professional ideals into the routine realm of nonprofit work. Some measures of professionalization, according to Hwang and Powell (2009), include ‘organizational rationalization as expressed in the use of strategic planning, independent financial audits, quantitative program evaluation, and consultants’ (p. 268). Indeed, they find that ‘charities operated by paid personnel and full-time management show higher levels of organizational rationalization’ (p. 268). This is particularly the case for nonprofits that are ‘instrumental’ in orientation and reliant on donor funds (Frumkin, 2002). Donors often pressure the management to become more outcome-driven, with measurable metrics.

This type of professionalization has changed the relationship between donors and nonprofits. Fund-raising has become more professionalized and some larger nonprofits hire slews of fund-raising professionals who cultivate donors and carry out fund-raising activities to promote the nonprofit and raise money among sympathetic potential donors. For example, most North American universities cultivate relationships with their alumni, who in turn become loyal supporters of their alma mater and willing donors. The University of Pennsylvania’s most recent fund-raising efforts brought in a total of $4.3 billion for the University (Annual Financial Report, 2013).

Another characteristic of professionalization within the nonprofit sector is the presence of representative organizations, such as peak organizations or umbrella organizations. These representative organizations can create a philanthropic infrastructure, a professional fund-raising environment and enhanced communication and collaboration between all actors active in the nonprofit sector. They can organize training programs for nonprofit staff and improve working conditions in the nonprofit sector. Representative organizations can also be very beneficial for establishing and maintaining good relationships with other actors, such as the state and the media, which is another key factor mentioned as important for a thriving nonprofit sector.

Furthermore, a professionalized nonprofit sector generally has a high level of communication and collaboration between all actors active in the nonprofit sector. Communication is crucial especially for nonprofit organizations aiming to solve the same issues or providing similar public goods and services. Collaboration can also be advantageous, although the benefits are complex to determine, as the diversity of organizations in the nonprofit sector is also a greater good.
In countries where there is a good relationship between the state and the nonprofit sector, people typically will be more inclined to make donations. One reason for this is that in a democratic society, a good relationship between the state and the nonprofit sector signals to potential donors that the nonprofit sector is trustworthy. Donors may find that when the government trusts the nonprofit sector enough to engage in a relationship, they can then trust this sector with their own money. In countries where people have low levels of trust in the government, a good relationship between the nonprofit sector and the state might have an adverse effect, like is the case in Hong Kong.

AbouAssi, the author of the Lebanese chapter, adds that a good relationship of the nonprofit sector with the media is also of importance for a thriving nonprofit sector. In many countries included in this edited volume, the media has a tendency to focus on the reporting of scandals and misusage of funding in the nonprofit sector. Such reporting has disastrous effects on philanthropic donations. Success stories are seldom portrayed. Thus, a good relationship between the nonprofit sector and the media, possibly facilitated by representative organizations, can help nonprofit organizations be more fairly and favorably portrayed to donors.

3.6 Political and economic stability or growth

Political and economic stability are also key factors for philanthropic giving. People living in countries with political uncertainty and economic challenges, such as in Egypt and Lebanon, are less inclined to make philanthropic donations. Most people will have other priorities than contributing to philanthropic causes. Nonprofit organizations also face great difficulties working under conditions of political instability. As the Lebanese chapter author writes about the current situation in his country, ‘The political and security situation in Lebanon adds additional problems. NGOs tend to halt their activities in periods of political conflict in order to avoid being affiliated with any side. In cases of emergencies, some NGOs shift their interest and focus to relief efforts’ (AbouAssi, this volume). Other examples of how political instability and political changes, such as the transition to and from Communism, can harm giving have also been described in Section 2.1 of this concluding chapter.

Economic stability and growth influence philanthropic giving in different ways. First, people need to have money in order to make donations: they cannot give away what they do not have (Wiepking, 2007). Not only are actual financial resources important, but also the perception of financial stability positively influences giving behavior (Wiepking & Breeze, 2012). People are more likely to have more disposable financial resources and feel financially secure when they are living in an economically stable and prosperous country. Second, we have seen that the economic downturn beginning in 2008 has resulted in governments withdrawing from support for nonprofit sector, especially in
welfare states. Several authors mention declining government support due to economic challenges as an inhibiting factor for philanthropy. Interestingly, however, the reverse is true for South Korea and Taiwan, where continuous economic development over the past decades has provided an immense impulse to the nonprofit sector and philanthropic giving.

3.7 Population changes

One of the factors facilitating or inhibiting philanthropic giving that is difficult to manipulate is population change. Demographics are changing, and these changes can be very influential for philanthropy in the future. The typical donor is religious, older, wealthy and highly educated (Bekkers & Wiepking, 2011). Secularization is an ongoing process in most parts of the world (Zuckerman, 2011). As has been described in Chapter 32 and in Section 2.5.1 of this chapter, religion and religious values are important facilitating factors for philanthropic giving. If fewer people become religiously affiliated and less people attend religious services, giving to both religious and secular nonprofit organizations will expectedly decrease (Bekkers & Ruiter, 2007).

Life expectancy is increasing for people all over the world (Lutz et al., 2008). People of older age are typically more generous donors. The main reason for this trend is the life cycle effect: older people typically have more financial resources, accumulated over their life (Wiepking & James, 2013). Havens and Schervish (2003) argue that the nonprofit sectors of Western societies can expect an influx of donations with the large 'baby boomer' cohort (born between 1946 and 1955) reaching pensioning age. If more people hold significant amounts of household wealth, especially in less-developed countries (Davies et al., 2007), this trend will likely motivate philanthropy. Finally, education has a positive effect on philanthropy. As explained in Chapter 2, the highly educated donate more, not only because they have access to more financial resources and a larger range of social resources, but also because they better understand the needs of distant others (Bekkers & Wiepking, 2011; Brown & Ferris, 2007). Across the world, more and more people have completed a higher education (Altbach, Reisberg, & Rumbley, 2009). This trend will positively influence philanthropic giving.

Overall, it is difficult to say how combined population changes in religiosity, age, wealth and educational achievement will influence philanthropic giving across different countries over time. Nevertheless, these population trends can help in estimating expected changes in philanthropic giving in a particular country.

3.8 International giving

The final factor facilitating philanthropy is funds coming into countries from other countries, or foreign donor money. As described earlier in this chapter,
foreign donor money can have great impact on the development of the nonprofit sector of a country. Foreign money, which can come by means of Official Development Assistance (ODA), Non-Governmental Organizations (NGOs), religious institutions or remittances, has a strong effect on the development of local nonprofit sectors. For more information about the influence of foreign donor money on philanthropy, we refer to Section 2.1 of this concluding chapter.

In conclusion, we identified eight contextual factors that explain why people give and what facilitates their giving. A culture of philanthropy, public trust, regulatory and legislative frameworks, fiscal incentives, the state of the nonprofit sector, political and economic stability or growth, population changes and international giving all vary significantly from country to country in their impact on giving; nevertheless, the authors of this volume confirm that these factors are present in all countries to some extent.

It is clear that these eight factors alone cannot explain philanthropic giving at the individual level; individual values and beliefs play an important part. Thus, the propensity of individuals to be altruistic is an important and indispensable motivating factor, which can explain giving without reference to institutional factors. We have to take such individual level characteristics as given and turn our attention to explaining the existing intensity and scope of worldwide giving. Therefore, we concluded here with an explanation from a global perspective of the eight contextual factors that are important in facilitating philanthropic giving using data from 26 countries.

4. Future areas of study

Why people behave altruistically and voluntarily give away some of their own financial resources to benefit the public good remain one of the big scientific questions of today’s world. With this volume, we hope to have made a contribution to the understanding of this question. We used an interdisciplinary and comparative approach to facilitate the understanding of why some people in some countries are more generous than others. We believe that such an interdisciplinary and international approach is instrumental when attempting to answer such a complex question, where answers can only be found by combining perspectives from different disciplines, including history, economy, psychology, sociology and law.

An interesting area of future research is to expand the current work to include other types of prosocial behavior. In this volume, we focused on philanthropic giving, but the work could easily be expanded to increase the understanding of other types of prosocial behavior displayed by individuals, such as volunteering behavior and informal helping behavior, or by organizations, such as corporate giving and corporate volunteering.
Another clear future area of study is to expand this volume to include parts of the world currently underrepresented. Because our initial selection criterion for countries to be included in this volume was the presence of representative national-level surveys on philanthropic donations, some regions where these types of data were largely unavailable are underrepresented in this volume, notably countries in Africa and South America. We encourage scholars from countries in these regions to use our format to describe philanthropy and the nonprofit sector in their country of expertise and jointly work towards a world-wide coverage of the understanding of philanthropy.

Notes

1. The problem when comparing these numbers is that they come from different sources and across countries there are different legal definitions for nonprofit organizations, which makes them not directly comparable. Therefore these numbers should be interpreted with caution.

2. The percentage funding that nonprofit organizations receive from the government reported across the chapters in this volume is based on the percentage reported in the seminal Comparative Nonprofit Sector Project, conducted by Lester Salamon and colleagues (http://ccss.jhu.edu/research-projects/comparative-nonprofit-sector).

3. At the start of this project, we specifically asked all country experts to conclude their chapter with two to three factors inhibiting and two to three factors facilitating philanthropy and the nonprofit sector in their country. This resulted in 136 factors they feel inhibit or facilitate philanthropy. We are aware that these factors are based upon the authors’ beliefs about what influences philanthropy in their country, and not based on empirical evidence. However, since all authors are experts in the study of philanthropy and have extensive knowledge about the nonprofit sector of the country they describe, we feel that their recommendations can be very valuable for understanding the factors that facilitate or inhibit philanthropy. We labeled each of the 136 factors and clustered these into general themes, which we were able to deduce to the eight common facilitating factors described in this concluding chapter.

References


Index

Note: locators followed by ‘n’ indicate the notes section.

Aalto University Donators, 163
Abdelrahman, M., 308
Abdel Samad, Z., 342, 345, 351
Abdou, A., 308
Ablanedo, T. I., 67–8, 72, 535
ABN Amro, 484 n.14
Aboriginal and Torres Strait Islander people, 488
see also indigenous peoples
Abou Assi, K., 338–9, 341–51, 616
Abou Daye, M., 345
Abrams, B. A., 571
acceptance, 271, 578
accommodation, 252, 285–6
Accreditation Canada, 30
ACOSS, 574
activist associations, 139
addiction charities, 101, 109, 212, 231, 240, 242–3, 476
‘adjupa’ (mutual support), 88
advertisements, 32, 104, 174, 236, 296, 350, 394, 460, 481, 494, 496, 589
AFM Téléthon (France), 146
Africa, 7, 619
religious traditions, 93, 195
slaves, 88
UNICEF projects, 165
see also South Africa
African-Americans, 48
Afro-Caribbean Creolized religions, 93
Aiyou Foundation (China), 363
Alber, J., 519
Alberta, 29, 31
alcohol rehabilitation, 199, 240, 242–3
Alexander Nevski Cathedral, 126
Alfitri, I., 391
Alfred Kordelin Foundation, 162
Alleroev, T., 255
almsgiving, 77, 249, 257, 260, 347, 393
almshouses, 211, 267, 285
al-mustahiqqin (beneficiaries), 391
Alpe D’huzes (cycling event), 217, 574
Alpha Research, 120
Al-Tawy, A., 311
Altbach, P. G., 617
Altinkemer, K., 571
Alto, Philo, 385 n.21
altruism, 4–5, 16, 167, 250, 258, 264, 349, 470, 488, 534, 551, 555, 565–6, 572, 618
Al-Waleed Bin Talal, 349–50
Amárách Research, 199
America for Bulgaria Foundation, 134 n.1
American Institute of Philanthropy, 589
American Jewish foundations, 317–18
Amiotte-Suchet, L., 271
Ammerman, N. T., 562
Amnesty International, 239, 242
Andreoni, J., 15, 462, 553, 571–2
Andrushak, G. V., 251
Angell, O. H., 157, 563
Angelov, G., 123, 584
Anglican Church, 206 n.1, 492, 499, 501–2
‘Anglo-Saxon model,’ 27
Anguilla, 88, 91
624
Annual Financial Report, 615
anntuities, 50, 409, 427, 490
anonymous giving, 95, 107, 145, 152, 163, 217, 238, 257, 310, 312–13, 376–7, 460, 480, 536
Antigua, 89, 92
Ántlőv, H., 389–95
Apinunmahakul, A., 462
Aprilov, Vasil, 126
Arab communities, 317–18, 325, 328, 333–4, 346–7
Arab Foundations Forum (AFF), 312
Arab heritage and civilization, 338
Arab–Israeli conflict, 319
Arango family, 71
Archambault, E., 137, 139–41, 143, 604
Aridor, Y., 320
Aronov, N., 255
Arrom, S. M., 65
arts and cultural funding, 36, 50, 78, 97
Ashworth, J., 303 n.6
Asia
business ties with, 473, 495
cultures of philanthropy, 561
see also specific countries
Asia Community Ventures, 385 n.21
Asian financial crisis, 370, 389, 395
Asian tsunami, see Indian Ocean Tsunami (2004)
Asia Pacific Philanthropy Consortium, 394
Asia Value Advisors, 385 n.21
Assemblies of God Church, 498
Assisted Reproduction Fund (Bulgaria), 123
association(s)
in Australia, 496–7, 499, 501
in Austria, 100–1, 106, 109–10, 576, 582
in Bulgaria, 118–19, 121, 124, 128
in Canada, 26, 31, 33, 41 n.7, 582
in the Caribbean, 90, 94, 601
in Finland, 155–6, 158–61, 163, 166, 580, 582
in France, 137–42, 144–5, 574, 582
in Germany, 171–2, 175
in Hong Kong, 369, 373–5, 377, 386 n.27
in Indonesia, 388–90, 395–6, 398, 400
in Ireland, 195
in Israel, 317, 582
in Japan, 405, 407, 412–16, 418, 420, 422 n.1
in Lebanon, 339, 342
in Mexico, 65–7, 70, 77–8
in Netherlands, 211, 216, 220
in Norway, 232–3, 235–8, 241–2, 246, 605
in Russia, 250, 253–6, 258
in South Korea, 427–8, 430, 433–4
in Switzerland, 268, 271–2, 274–7
in Taiwan, 455–6, 458
in UK, 288–9, 573
in USA, 44, 47, 51–3
in Vietnam, 474–5, 477, 479–80, 484 n.10
Association for Fundraising Organizations (Netherlands), 216
Association for Healthcare Philanthropy, 31, 51, 594 n.5
Association of Boy Scouts and Girl Guides of Austria, 106
Association of Charity Lotteries in the EU (ACLEU), 196
Association of Fundraising Professionals in Canada, 31, 582
in Cape Town, 570
in Caribbean, the, 94
in Hong Kong, 375
in Mexico, 70, 582–3
in USA, 47, 51, 582
Association of Fundraising Professionals (AFP), 31, 47, 51, 70, 94, 375, 570, 582–3, 594 n.5
asymmetric information, 12
Atia, A., 308
Atia, M., 307–8, 311
Atkinson, A. B., 16
Atlantic Philanthropies, 197
ATM donations (automated teller machines), 76
auctions, 32, 94, 257, 373, 384 n.6, 580, 587

Australia
amount donated in, 500–2
charitable causes, 496–502
Constitution, 492
disaster giving, 492–3, 497
financial advisory professionals, 494
fiscal incentives, 490–1, 543, 552
fund-raising practices, 493
geographical location and cultural diversity, 495
Giving Australia, Individual and Household Survey, 495–502
government policy, 490–1
government service provision, 489–90
government support, 490
history of philanthropy, 488–9
HNW (high net worth) clients in, 494
incidence of giving, 498–500
Jewish donors from, 326
major donors in, 493–4
media coverage of philanthropy, 494
new forms of philanthropy, 488–9
NPOs (nonprofit organizations), 489, 491
philanthropy in, 488–503
public expenditure, 489
regulation in, 491
religion and giving, 492–3, 496–502
secular giving, 496–502
Social Compact, 491
spirit of generosity and mateship, 492
tax laws, 488
under-reporting, issues of, 495
World Giving Index ranking, 492
Australian Bureau of Statistics, 489–90, 492
Australian Business Number (ABN), 489
Australian Centre for Philanthropy and Nonprofit Studies (ACPNS), 493
Australian Charities and Not-for-profits Commission (ACNC), 491, 495, 502–3
Australian Conservation Foundation, 497
Australian Standard Classification of Religious Groups (ASCRG), 492
Australian Taxation Office (ATO), 489

Austria
accreditation programs, 105
amount donated in, 113–14
church tax, 106
donations to different charitable sectors, 109–11, 517
endowed foundations, 108
financial advisory professionals, 107
fiscal incentives, 103–4, 543
fund-raising practices, 106–7
government policy, 102–4
government support, 102–3
history of philanthropy, 100–1
incidence of giving, 111–13
major donors, lack of, 107
national fund-raising campaigns, 107–8
national-level survey, 108–14
nonprofit sector, 101–5, 108
philanthropy in, 100–16
public social spending, 102
regulation in, 104–5
religion and giving, 105–6, 109, 113–14, 586
taxation, 103–4
Austrian Accreditation Seal for Donations, 105
Austrian Chamber of Accountants, 105
Austrian Federation of the Blind and Partially Sighted, 106
Austrian Fundraising Association (FVA), 106, 582
Austrian Institute of Fund-raising, 108
authoritarianism, 65, 312, 426, 428, 475, 510, 551
awareness of need, 4, 178, 555
awqaf/waqf (charitable endowments), 307–8, 313, 344
Ayer, S. M., 32, 574, 590
Azary-Viesel, S., 319
Baba, H., 408
baby boomers, 617
Bäckström, A., 558, 562, 565
Badelt, C., 101, 102
Báez-Jorge, F., 70
Bahamas, 90, 92
Bailey, M., 571
Bakija, J., 9
Balkan Trust for Democracy, 134 n.1
ball, charity, 373
Bambra, C., 519
Bank4Hope, 161, 590
Bank of Canada, 41 n.2, 41 n.5
Bank Of Indonesia, 396
bank transfer, donations via, 106, 109, 213, 259, 296
Baptists, 49, 255, 498
Barbados
Codrington College, 89
'Deed of Covenant,' 92
fund-raising education, 94
regulatory reform, 92–3
Sandy Lane Trust, 96
Barbados Association of Non-Governmental Organizations, 94
Barber, P., 46–7
Barbuda, 92
Barclays Bank, 376
Bar-Mor-H., 316
Baroud, Z., 341
Barr, C. W., 25–8, 32, 40
Barrett, F. J., 68
Basel, 270–1
basic needs, 3, 52–4, 231, 389, 512, 599
Bass, P., 287
Battle at Solferino, 267
Bauer, J. B., 170
Bax, E. H., 211
Bayan Resources, 394
Beard, V.A., 388
Beautiful Foundation, 437
Beccarelli, C., 267, 272–3
Becker, P., 560
Belastungsdienst, 212
Belgium, 15–16
Benevolenski, V. B., 250–1
Benevolent Society, 488, 598
Bennett, M. R., 18
Benshalom, I., 541–2, 554, 555 n.3
bequest giving, 32, 47, 49–50, 106, 144, 146, 199, 217, 238, 272, 276, 294, 302, 413, 434, 493, 573, 577
see also legacy giving
Berbatov, Dimitar, 127
Beresford, P., 295, 297
Bergen Research Foundation, 238
Bergen University, 238
Berger, I. E., 559
Bermuda, 92
Berry, M. L., 25
Bertelsmann Foundation (Germany), 171
Bertrand, J., 393
‘Best Practice Checklist for the Management of Charities and Fundraising Activities’ (Hong Kong), 373
Bethmann, S., 267–8, 599, 612
Better Business Bureau (BBB; USA), 47–8, 582, 609–10, 614
BFs, 271
bias, 182, 195, 198, 219, 385 n.20
Bible, 143–4, 478
Bieri, E., 118, 524, 600
Bies, A. L., 174
bilateral donors, 344, 474, 479
Bill and Melinda Gates Foundation, 612
Bishop, M., 587
Blackbaud survey, 572, 574–5, 578, 593, 594 n.2
Blackwood, A., 45
blood donation, 179–80, 558
Bloomberg and Boston Consulting Group, 196
Blue Cross Norway, 242
BMF, 103–5
BNP Paribas Wealth Management, 145
board members, as donors, 49
Boenigk, S., 170–2, 175, 178–9, 185, 533, 609
Boli, J., 524
Bolkestein, H., 170
bonds, 90, 317, 360
Bonfil Batalla, G., 64
Boonstoppel, E., 214, 218
Borgonovi, F., 18–19
Boston Consulting Group (BCG), 196, 273
Botvar, P. K., 237
Bovay, C., 271
Bowen, J., 388
Brazil, 519, 571
Breen, O. B., 190, 194, 197–8, 597–9
Breeze, B., 285, 294–5, 297, 570, 577, 607–8, 616
Bremner, R. H., 44
Brenner, N., 318, 321–2
BRICS countries, 571
British Columbia, 29, 31
British Mandate, 317
British Virgin Islands, 93
broadcasting organizations, 75, 211, 239, 273, 427, 436–7, 452, 574
Brody, E., 47, 555 n.1
Brønnoysund Register Centre, 232
Brooks, A. C., 16, 564
Brown, C. G., 293
Brown, E., 9, 44, 52, 128, 610–11, 617
Brown, M. S., 53
Brudney, J. L., 559
Bruhn, M., 274
Brumberg, D., 309
Bryant, W. K., 19
Buddhism, 48, 93, 106, 175–6, 255, 358, 366, 374, 384 n.13, 398, 400, 404, 411, 433, 460, 467–9, 478, 492, 561, 565, 606
Budowski M., 269
Buffet, Warren, 50, 71, 327, 452, 551, 612
Bühlmann, M., 275
Bui, T. H., 474–5
building dedications to donors, 294, 326
Bulgaria
chitalishte system, 118, 127
corporate giving, 119, 122–3
CSR (corporate social responsibility), 120, 125
direct donations to government institutions, 122–3
EU accession, 119–20
EU funding, 122
financial advisory professionals, 127
fiscal incentives, 123–4, 543
foreign donors, 119, 134 n.1
fund-raising code of conduct, 124
fund-raising practices, 125–6, 134 n.4
fund-raising training and workshops, 125, 584
government policy, 122–4
government support, 122–3
history of philanthropy, 118–20
incidence of giving, 130–3
independence of, 118
individual giving, 119, 123, 126–7
international initiatives, 120
major donors in, 126–7
nonprofit sector, 120–4
philanthropy in, 118–34
public social spending, 122
regulation in, 118–19, 124
religious composition/giving, 124–5
social trust, low levels of, 127–30, 132–3
transition of, 119–20
Vitosha Research survey, 128–33
volunteerism in, 125–6
Bulgarian Business Leaders Forum (BBLF), 120
Bulgarian Center for Nonprofit Law (BCNL), 120–5, 133
NGO Charity Portal, 121
‘Bulgarian Christmas,’ 126, 584
Bulgarian Donors Forum (BDF), 120, 123, 125–7, 133, 582
Bulgarian National Revenue Agency, 123
Bulgarian Orthodox Church, 124–5
Bullock, M., 355
Bundessteuerberaterkammer, 177
Bundesverband Deutscher Stiftungen, 172, 185
Burdyak, A. Y., 251
Bureau de normalisation du Quebec, 30
Bureau of Labour Statistics, 41 n.2, 41 n.5
Burger, A., 212–13
Burke-Kennedy, E., 206
Cabinet Office Helping Out survey (UK), 286, 292, 303 n.3, 303 n.9, 405–6, 408
CAF/NCVO, 296, 298–9
Cagney, P., 572, 586–7, 590
Cairo, 312
Cairo Institute for Human Rights Studies, 313
Calgary Chamber of Voluntary Organizations, 31
Cameron, D., 296
campaigns
capital, 493, 573, 585
common methods, 32, 76
mass awareness, 350
national, see national fund-raising campaigns
political, 483
see also specific types
Campbell, D. E., 558, 560, 564

Canada
- accreditation programs, 30
- amount donated in, 39–40
- CSGVP survey, 33–40
- financial advisory professionals, 32
- fund-raising practices, 31–2
- government support, 27–9
- history of philanthropy, 25–6
- incidence of giving, 37–9
- Income Tax Act, 26
- major donors in, 32, 95
- nonprofit sector, 26–31, 33
- online donations, 31
- philanthropy in, 25–41, 95
- public social spending, 27
- registered charities, 29–30, 41 n.1
- regulation in, 29–30
- religious composition/giving, 25–6, 30–1, 41 n.7
- tax credits, 28–9, 32–3, 544, 552
- Voluntary Sector Initiative (VSI), 33
CanadaHelp.org, 31, 576
Canada Revenue Agency (CRA), 29–32, 41 n.1
Canadian Association of Gift Planners, 31
Canadian Centre for Accreditation, 30
Canadian Centre for Philanthropy, 31
Canadian Conference of the Arts, 31, 583
Canadian Council for International Cooperation, 31, 583
Canadian Council of Christian Charities, 31, 583
Canadian International Development Agency (CIDA), 92, 344
Canadian System of National Accounts, 27
Cancer Council Australia, 496
cancer research funding, 53, 146, 221, 296, 299
Cancer Research UK, 299
Cancer Society of Finland, 156
cantonese opera performances, 377
Caodaism, 478
capacity building, 91, 122, 289, 349–50, 390, 481–2
Cape Town, 570
Capgemini and Merrill Lynch World Wealth Report, 71
Capgemini Merrill Lynch, 177
capital campaigns, 493, 573, 585
capitalism, 171, 298, 510
Caribbean, the
- code of conduct for NGOs, 93
- colonial history, 88
- credit unions, 89
diaspora donors, 90, 95
- economic growth, 89
- expatriate community, 96
- financial advisory professionals, 96
- fiscal incentives, 92, 98 n.2
- fund-raising practices, 94
- global economic crisis (2008/2009), impact of, 90
- government policy, 91–2
- history of philanthropy, 88–90
- independence and nation building, 91
- individual giving, 89
- major donors in, 95
- mutual support, 88–90
- national debt, 90
- nonprofit sector, 90–3, 97 n.1
- philanthropy in, 88–98
- public social spending, 91
- regulation in, 92–3
- religious composition/giving, 89, 93–4
- remittances to, 89–90
- tourism and voluntourism, 96
- trade union movement, 89
- World Giving Index ranking, 535
Caribbean Philanthropy Network, 91–2
Caribbean Policy Development Centre, 91–3
Caribbean Sea, 88
Caribbean United Way, 94
Caritas, 109, 147
Carlos Slim Hélu, 71
Carnegie, Andrew, 89, 293, 302, 427, 452, 571
Carrillo, C. P., 68
Carroll, J., 190, 597–9
Castel, R., 137
Catholic philanthropy
in Australia, 492, 498–502
in Austria, 105–6, 112–14
in Bulgaria, 124–5
in Canada, 25–6, 30–1
in the Caribbean, 93–4
in France, 137, 143–4, 148–52, 598
in Germany, 175–6, 182–4
in Hong Kong, 374, 384 n.13
in Indonesia, 392
in Ireland, 190, 192, 194–5, 207 n.7, 522, 598
in Israel, 324
in Mexico, 70, 80, 82
in Netherlands, 211, 215–16, 222–5
in Norway, 237
in Russia, 255
in South Korea, 427, 433–4, 439, 441, 444, 448, 452
in Switzerland, 271, 278–82
in Taiwan, 460, 466–8
in USA, 48–9, 559
in Vietnam, 478
Catholic University of Korea, 433
cause-marketing, 395
Cayman Islands, 92–3
CBF, 18, 215
CBS, 215–16
Census and Statistics Department, 370
Center for the Study of Democracy, 119, 133
Center on Philanthropy, 50–1
Central Administration of Statistics, 346–7
Central Bureau of Fundraising (Netherlands), 18, 215–16, 609
Central Europe, 134 n.1, 250
Central Statistics Office (CSO), 198, 206 n.4–5
Central Union for Child Welfare (Finland), 156
Centre for Caribbean Philanthropy, 91
Centre for Caribbean Religion and Culture, 93
Centre for Nonprofit Management (CNM), 195, 197
ceremonial giving, 71, 237, 348, 412, 416
CerPhi, 143–6, 576
Certificate in NGO Management, 94, 584
CFRE International (Certificate in Fund Raising Executive), 51, 94, 583
Chamber of Deputies, 67
Chang, Raymond, 95
Chang, W. C., 466, 469, 471 n.12
Charitable Fund of Cultural Initiatives (Russia), 258
Charitable Lotteries Fund (Ireland), 196
Charities Aid Foundation (CAF), 83, 90, 120, 125–7, 133, 157, 484 n.14, 492, 582, 586
in Bulgaria, 120, 125–7
SEAsia, 484 n.14
in UK, 586
charity, definitions, 288, 303 n.2, 371
Charity Commission, 128, 287, 292, 383
Charity Navigator (USA), 47–8, 375, 589, 609–10, 614
charity shops, 581
Charity Watch, 46, 375, 589
Charles Stewart Mott Foundation, 134 n.1
Charter's Committee (France), 144
Chaves, M., 15, 271, 559, 562
check donations, 76, 144, 298, 377, 496, 536, 577
Chen, L. K., 455, 461
se also specific organizations
Children Are Us Foundation (CAREUS), 457, 581
Children in Need, 574
Children's Fund, 257, 426, 439
Children's Treatment Fund (Bulgaria), 123
Chile, 71, 453 n.1
Chilton, B., 558, 565
China
amount donated in, 365–6
charitable causes, 361–6
civil society, 356
CSOs (civil society organizations), 356
DCSOA (Department of Civil Organizations Administration), 358
disaster relief, 354–5, 359–62
donations to different charitable sectors, 362, 517
economic development, 355
Enterprise Income Tax Law, 357
financial advisory professionals, 360
fiscal incentives, 357–8, 544
foreign foundations, 359
foundations, 359–61
fund-raising practices, 359
GONGOs (government-organized NGOs), 355–6
government–nonprofits competition, 537
government policy, 356–8
government support, 356–7
history of philanthropy, 354–5
incidence of giving, 363–5
individual donations, 359–60
major donors in, 359–60
missionary activities in, 354
national lotteries, 359
NGOs (nongovernmental organizations), 355–8
online donations, 359
PRC (People’s Republic of China), 355
private enterprise donations, 360
private foundations, 359, 361
provision of social services, 354–6
public foundations, 359, 361
regulation in, 358
religious composition/giving, 358–9, 363–6
scandals in philanthropic foundations, 361
secular giving, 363–6
social issues, 355–6
state domination, 360–1
state-owned enterprise donations, 360
Survey of Philanthropic Behavior in China, 361–6
China Academy of Social Sciences, 358
China Charity and Donation Information Center, 358
China Charity Federation, 359
China Environmental Protection Foundation, 363
China Foundation for Disabled Persons, 362–3
China Foundation for Poverty Alleviation (CFPA), 362
China Foundation for the Elderly, 362–3
Chinnock, K., 489
Chisholm, L., 47
Chisolm, L., 541
Christian Action (Hong Kong), 374
Christian Children’s Fund, 426
Chronicle of Philanthropy, 50–1, 71, 612
Church City Mission (Norway), 242
churches, see names of specific churches
Church of Christ, 498
Church of Norway, 237–8
church tax, 13, 106, 159, 164, 173, 175, 183, 272, 324, 543, 545, 548–9
CIMIGO, 474, 477, 483
Ciputra, 394
Citi Bank, 376
City Missions, 155, 242
‘civic anger,’ 327
Civic Exchange, 383
civic organizations, 386 n.27, 406
Civic Participation Forum (Bulgaria), 124
CIVICUS Civil Society Index, 120–1, 124–5, 127–8
civil society, definition, 339–40
Civil Society in Figures (Germany), 171
Civil Society Organizations Sustainability Index Report, 120–1
Cizakca, M., 307
Clain, S. H., 558
Clark, J., 287–8, 295, 303 n.7, 308
Clary, E. G., 560
classification of nonprofit sector, Salamon-Anheier, 10–11, 510–11
application of, 511–27
click-to-donate sites, 412
clientelism, 66
climate change, 161, 230, 354, 474
Clinton, Bill, 71
Clinton Global Citizen Awards, 71
Clinton Global Initiative, 71
Clotfelter, C. T., 468
Index

clubs
  interest, 121, 142, 171, 275, 287, 475, 477, 574
  membership fees, 174
  saving, 100
  scout, 53, 289, 340
  sports, 77, 100, 170, 211, 238, 275, 283
    n.2, 427, 496–7, 499, 501
  youth, 77–8, 119, 289
Cnaan, R. A., 18, 558–60, 562, 564, 566
Coalition of Civil Society of Trinidad and Tobago, 94
Coalition of National Voluntary Organizations, 31
code of conduct, 18, 93, 124, 144, 194, 272, 293, 346, 369, 375, 479, 582
Code of Conduct and Fundraising Practices, UK, 18
Codrington, Christopher, 89
Codrington College, 89
Colinvaux, R., 553, 555 n.2
collection tins/boxes, see donation boxes
Colombo, J. D., 17
Combined Federal Campaign (USA), 49
Commission on Taxation, 193, 552
Common Responsibility Campaign (Finland), 160, 165
Commonwealth of Australia, 492
Communism, 118–19, 126–7, 130–1, 251, 252, 264, 366, 475, 511, 521, 523–4, 536, 562, 600, 616
Communist Revolution, 250
Community Chest, 26, 374, 376, 412, 414–16, 435–6
Community Foundation for Ireland, 190–1, 196
Community Foundation of the Virgin Islands, 95
Community Sector Council of Newfoundland and Labrador, 31
Comparative Nonprofit Sector Project, 6, 11, 34, 66, 77, 140–1, 171, 252, 516, 619 n.2
Compassion, 439
  compassion funds, 473, 479, 558, 561
competitive advantage, 12, 14, 253, 571
Comptroller and Auditor General, 192
concerts, charity, 32, 257, 343, 373, 377, 460, 573
conditional donation, 34–5, 54, 78, 147, 181, 220, 299, 422 n.7, 497
Confio, 69, 83
Confucianism, 354, 358, 366, 433, 452, 460, 478, 561, 565, 606
‘conspicuous consumerism,’ 297
Consumer Price Index, 41 n.2, 41 n.5, 198, 396
contract failure, 12–13
Cook, W. B., 573
Coolahan, J., 192
cooperatives, 139, 172, 232, 268, 287, 388, 390, 396, 398, 400, 428, 475
Coptic, 310
Cordes, J. J., 552, 554
Corinthisans, 573
Cornes, R., 571
Corporate Donor of the Year award (Bulgaria), 120
corporate giving
  in Australia, 489
  in Bulgaria, 119–20, 122–3, 127, 133
  in the Caribbean, 94, 97, 98 n.2
  in China, 357
  common methods, 578–9
  in Egypt, 308, 312
  in France, 142–4
  in Hong Kong, 377
  in Ireland, 195, 197
  in Israel, 318, 322, 326, 334
  in Japan, 410, 422 n.2
  in Russia, 257, 264, 536
  in South Korea, 427, 431–2, 452
  in Switzerland, 533
  in UK, 293
  in USA, 49
  in Vietnam, 473–4
Corporate Income Tax Law, 476, 484 n.7
corporate social responsibility (CSR)
  in Austria, 101
  in Bulgaria, 120, 125, 133
  in Egypt, 311, 578–9
  in Finland, 163
  in Indonesia, 395
Index 633

in Lebanon, 350–1
in Vietnam, 473
corporatist nonprofit sector, see
classification of nonprofit sector, Salamon-Anheier
corruption, 75, 127, 312, 342, 345, 461
see also fraud
cost ratio, cross-national, 609
costs and benefits, 4, 12, 555
costs of fund-raising, see fund-raising cost
Council for Advancement and Support of Education (CASE), 51, 70, 583, 594
n.5
Council on Foundations (USA), 51
‘coup de maine,’ 88
Courtauld, Samuel, 294
Courtauld Institute of Art (London), 294
Cousins, M., 190, 599
Coutts & Co. bank, 296, 484 n.14
credit card payments, 34, 76, 412
Critics, 480
Croatia, 101
Croix Rouge, 146
cross-national differences in philanthropic giving, 9–19
culture, 18–19, 606–12
economic theories, 11–15, 616–17
government failure, 13–15
government support, 15–17, 603–5, 614
market failure, 12–13
nonprofit sector, type of, 10–11, 614–16
professionalism of fund-raising, 19
regulation of nonprofit sector, 17–18, 605–6, 613–14
religious values and beliefs, 18–19
see also factors facilitating philanthropy
crowdfunding, 412, 554, 590
crowding-out/crowding-in effect, 15–17, 290, 462, 571, 581
CSO, 191, 195, 340–1
CSR-Asia, 484 n.14
culture, 18–19, 606–12
in Australia, 492–5
in Austria, 105–8
in Bulgaria, 124–8
in Canada, 30–3
in the Caribbean, 93–6
in China, 358–61
in Egypt, 310–13
in Finland, 160–3
in France, 143–5
in Germany, 175–9
in Hong Kong, 374–7
in Indonesia, 392–5
in Ireland, 194–8
in Israel, 323–8
in Japan, 411–15
in Lebanon, 346–51
in Mexico, 70–6
in Netherlands, 215–18
in Norway, 237–40
in Russia, 255–9
in South Korea, 433–7
in Switzerland, 271–4
in Taiwan, 460–2
in UK, 292–8
in USA, 48–52
in Vietnam, 478–82
Cunningham, H., 286
Cutlip, S. M., 573
Czech Republic, 101
D. Zimin Fund (Russia), 258
Dafur war, 107
D’agostino, T. J., 88
Dale, H., 47
Daniels, A., 50
Davie, G., 558, 562–3, 565
Davies, J. B., 617
Deacon, D., 297
Deaconess Institutes, 155
dead payment, 188
deductible gift recipients (DGRs), 490, 502
deficit of trust, 259
Degen, C., 267, 271
De Graaf, N. D., 18, 560
Dehne, A., 17
Dekker, P., 212
Deloitte, 238, 241–2
demand theories, 11
Deng, G., 355
Denmark, 233–4, 237, 510
Department for International Development (DFID), 92, 344
Department of Communities and Local Government (DCLG), 293
Department of Finance Canada, 33
Department of Health, 303 n.1
Department of Justice, Law Reform and Equality, 194, 196
Deripaska, O., 258
Destrée, J.-M., 144
De Swaan, A., 211
Deutscher Fundraising Verband, 176–7, 582
Deutscher Spendenrat & GfK, 180
Development Assistance Committee (DAC), 204, 207 n.13
Devlin, R. A., 462
de Wit, M. L., 27–8, 41 n.1
Dhingra, P., 560
Diaconia (Diakonie), 109, 170
diaspora giving
  in the Caribbean, 90, 93, 95, 601
  in Egypt, 314
  in India, 602
  in Israel (Jewish), 316–19, 321, 324–6, 328, 333, 534, 546, 561, 586
  in Lebanon, 339, 343–4, 348, 350, 523, 526
  in Pan-Islamic region, 602
  in Sri Lanka, 602
  in Vietnam, 482, 601
Díaz, Porfirio, 65
Diem, C., 170
dinners, charity, 32, 94, 96, 343, 373, 574
direct debits, 144, 195, 200, 219, 294, 298, 578–9
direct dialogue, 216, 238, 242, 272, 575–6
direct mail appeals, 32, 49, 144, 195, 216–17, 219, 238, 257, 272, 293, 373, 394, 434, 437, 489, 493, 574–5, 587, 589
direct marketing, 19, 242, 246, 575, 585
disaster relief
  in Australia, 492–3
  in Austria, 107–8
  in Belgium, 16
  in Bulgaria, 126
  in Canada, 16
  in the Caribbean, 89
  in China, 355, 358–62, 364, 366
  in Germany, 16, 178–9
  in Hong Kong, 383
  in Indonesia, 391, 395, 600
  in Italy, 16
  in Japan, 404, 410, 412–16, 418, 420–1, 525
  in Mexico, 77–8, 525
  in Netherlands, 16, 218
  in Norway, 231, 234–5, 239–40
  in Russia, 254
  in South Korea, 436–7
  in Spain, 16
  in Sweden, 16
  in Switzerland, 16, 273–4, 276
  in Taiwan, 456, 460
  in UK, 16
  in USA, 16
  in Vietnam, 473, 477, 479–80, 484 n.6
disease, 3, 64, 220–1, 242, 354, 363
Doan, D. R. H., 473, 600–1
Doctors without Borders, see Médecins Sans Frontières (MSF)
Doinov, Ognyan, 127
Domingue, R., 33
Dominguez, N., 571
Dominica, 88
Dominican Republic, 90
Donation Almanac report, 178
donation boxes, 31, 89, 125, 219, 239, 257, 260, 376, 412, 577, 589, 608
Donation Monitor (Germany), 180
Donoghue, F., 190–2
donor advised funds, 50, 427
Donor Bill of Rights and Codes of Ethics for Fundraisers (Japan), 412
donor loyalty, 217, 341, 344, 434, 480, 537, 578
Donors’ Association of German Science, 171
Donors Forum, 257–8
door-to-door solicitations, 106, 108–9, 146, 175, 216–17, 238–9, 272, 434, 460, 480, 493, 575–7
Doron, N., 287
Douglass, A., 558
Downer, A., 492
drought, 354–5
drug abuse charities, see substance abuse charities
Druze, 324–5, 329, 333, 335 n.1
dual registration and management system, 358
Duchin, R., 325
Dugnad for Haiti (Facebook group), 240
Duh, C. R., 456, 462
Duke University, 594 n.1
Dunant, Henri, 267
Dutch Cancer Foundation (KWF), 217, 220, 574
Dutch Cooperative International Aid Organizations (SHO), 218
Dutch Heart Association, 220
Dutch Red Cross, 217, 574
Eakin, L., 26
earthquake(s)
in Bulgaria, 126
Great East Japan, 179, 410, 412–15, 525
Great Hanshin Awaji, 405
in Haiti, 15–16, 126, 128, 218, 239, 274
Hsinchu-Taichung, 470n.1
in Mexico, 65, 525
921 (Taiwan), 456, 470n.1
Sichuan, 383
Wenchuan, 359–60, 525
Yushu, 362
see also disaster relief
Eastern bloc, 101
Eastern Europe, 134 n.1, 195, 250–1, 511, 523
Easwaramoorthy, M., 26
Eckhardt, B., 268
Economic and Social Research Council (UK), 292
economic theories, 11–15
government failure, 13–15
market failure, 11–13
The Economist, 287
Economist Intelligence Unit, 376, 383, 536
Edmonds, B. E., 93
Edo era (Japan), 404–5
education funding, 78, 110, 121, 147, 220, 252, 299, 362, 464–5, 497, 517
Edwards, M., 340
efficacy, 5, 540, 552, 555
egalitarianism, 161, 166, 243, 492, 494, 496, 551
Egger, P., 271
Egypt
awqaf/waqf (charitable endowments), 307–8
charitable causes, 307–8
CSR (corporate social responsibility), 311
‘divide and rule’ strategy, 309
financial advisory professionals, 312
fiscal incentives, 309–10, 544
foreign funds to, 311, 313
fund-raising practices, 311
government crackdown, 313
government policy, 309–10
government support, 309
history of philanthropy, 307–8
Law of Associations, 309–10
major donors in, 312
MOSS (Ministry of Social Solidarity), 310, 313
NPOs (nonprofit organizations), 308–14
philanthropy in, 307–14
private giving, 307–8
public expenditures, 308
public service provision, 308
regulation in, 310
religious composition/giving, 308–9, 310–11
SCAF (Supreme Council of the Armed Forces), 309, 313
social service provision, 308
takaful (social solidarity), 307
Egyptian Center for Economic and Social rights, 309
Einolf, C., 44, 509, 602, 610–11
El-Daly, M., 310
El-Din, G. E., 309
Elenkov, I., 118
El-Haraka, M., 345
Eliav, M., 325
Elizabethan era, 292
Elon, Y., 318, 320
Elson, P. R., 33
embezzlement, 47
emergency/disaster aid, 16, 231, 234–5, 240, 496–8, 599
Emil Aaltonen Foundation, 162
Encyclopedia of Giving, 118
endowed foundations, 107–8
England and Wales
Charities Act, 286
Charity Commission for, 287, 292
individual giving, 299
environmental programs, 277

Eppsteiner, F., 561
Eretz Yisrael, 325–6
Erkko, Aatos, 162
Ernst & Young, 145
Esping-Andersen, G., 10, 252, 510–11, 519–20, 526
ESS Round 5, 324
Estrella, J., 67
ethical gifts, 161, 576, 578
European Commission, 120, 123, 134 n.4, 584
European Fundraising Association, 238, 583
European Social Survey (ESS), 293, 324
European Studies on Religion and State
Interaction, 106
European Union (EU) aid to Lebanon, 344
Bulgaria’s accession to, 119–20, 122, 128, 133
PHARE, 119
Eurostat, 122, 129
Evangelical Christians, 70
Evangelical Lutheran Church of Finland, 157, 159–61, 164–5
Evers, A., 128, 258
‘Every cent counts’ campaign, 273

Facebook, 240, 412, 575
see also social media/networks
face-to-face fund-raising, 76–7, 161, 165, 216, 257, 375, 412, 573–5, 585
factors facilitating philanthropy, 9–19, 597–619
communication and collaboration between actors, 615–16
cultural values, 611
culture of philanthropy, 611–12
economic theories, 11–15
fiscal incentives, 17, 604–5, 614
foreign donor money, 617–18
fund-raising professionalism, 19, 607–10, 614–15
future areas of research, 618–19
government failure, 13–15
government policy, 15–17, 603–5
government support, 15–17, 603–4
international giving, 617–18
market failure, 12–13
media–sector relationship, 615–16
political and economic stability, 616–17
population changes, 617
public trust, 612
regulation and legislative frameworks, 17–18, 605–6, 613–14
religious values and beliefs, 18–19, 606–7
sector type/size/scope, 10–11, 602–3
state–society relationship, 616
transparency/accountability/effectiveness, 612–13
Fadeev, V. A., 251
faith-based organizations, 253–5, 344, 347, 474, 479, 484 n.10, 562, 566, 572, 586
see also religious giving; specific organizations
family foundations, 95, 302–3, 308, 341, 375, 383
Family Unit, definition, 52
famine, 64, 190, 204, 249, 354–5, 460, 471
n.5, 473
Fang, N., 354
Fares, 349
Farmers’ Union (Vietnam), 474
Farthing, I., 303 n.6
fascism, 100, 510, 520
Fatherland Front (Vietnam), 474, 484 n.6
Faure, D., 369
Fauzia, A., 393–5
Feather, N. T., 494
Federal Law to Encourage the Activities of Civil Society Organizations (Mexico), 67, 69
Federal Ministry of Family, Senior Citizens, Women and Youth, 180
Federal Ministry of Finance, 173
Federal Ministry of Justice, 172, 174
Federation of Hard of Hearing (Finland), 156
fees
  membership, 105–6, 111, 123, 160–1, 165, 174, 236, 253, 269, 340–2, 408, 412, 415, 547, 577
Fengqin, L., 354, 599
Ferrand-Bechmann, D., 139
Ferris, J. M., 9, 128, 541, 617
F2F Monthly Giving Alliance (Hong Kong), 375, 583
FGS Consulting, 553
Fidrmuc, J., 127, 132
Filantrofilia, 69, 83
Financial Action Task Force (FATF), 93
financial advisory professionals
  in Australia, 494
  in Austria, 107
  in Bulgaria, 127
  in Canada, 32
  in the Caribbean, 96
  in China, 360
  in Egypt, 312
  in Finland, 163
in France, 145
in Germany, 177–8
in Hong Kong, 376
in Indonesia, 394–5
in Ireland, 197
in Israel, 327–8
in Japan, 413
in Lebanon, 350
in Mexico, 71
in Netherlands, 217–18
in Russia, 258
in South Korea, 436
in Switzerland, 273
in Taiwan, 461–2
in UK, 296–7
in USA, 51–2
in Vietnam, 481
Finland
  amount donated in, 165–6
  associations, 158–60
  charitable causes, 164–5, 167
  civil war (1918), impact of, 156
  CSR (corporate social responsibility), 163
  donations to different charitable sectors, 164, 517
  economy, 156
  financial advisory professionals, 163
  fiscal incentives, 159, 545
  foundations, 162–3
  fund-raising practices, 161–2
  government policy, 158–9
  government support, 158–9
  history of philanthropy, 155–8
  Income Tax Act, 159
  independence of, 156
  individual donations, 161–3
  Lotteries Act, 158
  major donors in, 162–3
  national-level survey, 163–6
  nonprofit sector, 158–60
  philanthropy in, 155–67
  public services, 157–8, 162–3
  public social spending, 156, 158
  regulation in, 159–60
  religious composition/giving, 155, 160–1
  welfare state, 157–8
  World Giving Index ranking, 157, 166
Finlex, 159–60
Finn Church Aid, 161
Finnish Association for Mental Health, 155
Finnish Associations Act, 160
Finnish Fundraising Association, 161
Finnish patent and registration office, 160
Finnish Police, 160
First-Time Donor’s Super Credit (FDSC; Canada), 33, 40
fiscal incentives on philanthropy, 17, 540–55
areas of impact, 551–4
critiques of, 554
cross-national analysis, 542–51
giving behavior, impact on, 552–3
rationales for, 541–2
sector size, impact on, 553
societal benefit, 553–4
tax revenue, impact on, 551–2
see also under names of specific countries
Fishman, J. J., 47
flat tax, 67–8, 123, 542
flea markets, 232, 236
Flierl, H., 170–1
floods/flood relief, 78, 126, 178–9, 354, 355, 394, 493, 498, 600
Focus Accreditation, 30
food
banks, 297, 311
sales, 236
security, 329–31, 335 n.3
Food and Health Bureau, 384 n.1
Food for Hungry International, 439
Forbes world millionaire list, 71, 394
Ford, P., 198
Forment, C., 65
for-profit organizations, 4, 6, 12–15, 48, 51, 101, 133, 173, 179, 288, 372, 390, 457
Forum on Philanthropy, 191–2, 196, 199, 205
Foubister, T., 252
Foundation Center, 49
Foundation of Civil Society Development, 253
foundations, 579
in Australia, 488–90, 492, 495–7, 503
in Austria, 101, 107–8, 110, 115
in Bulgaria, 119–20, 124–7, 133, 134 n.1
in Canada, 26, 31, 33, 582
in the Caribbean, 90–1, 94–6, 601
in China, 355–6, 358–63, 366, 537, 582
in Egypt, 308–14
in Finland, 157, 159–63, 166
in France, 137–40, 142, 144, 145, 152 n.1
in Germany, 170–2, 174–5, 185
in Hong Kong, 375, 383
in Indonesia, 389–92, 394–5, 579
in Ireland, 190–1, 197, 205–6
in Israel, 318, 322, 326–8, 333–4
in Japan, 407, 422 nn.1–2
in Lebanon, 341, 347, 349–50
in Mexico, 68, 71
in Netherlands, 217, 574
in Norway, 232, 236–8, 241–2, 245, 605–6
in Russia, 253, 257, 259–60, 262
in South Korea, 428–30, 435, 437, 534
in Switzerland, 267–8, 270–4, 281–2, 533
in Taiwan, 456–61, 471 n.8, 581–2
in UK, 288–9, 295, 302–3
in USA, 44, 49–51, 579
in Vietnam, 474–5, 477, 480, 484 n.10
see also names of foundations
Four Paws, 109
Fox, J., 66
France
amount donated in, 150–2
‘anti-rich’ mentality, 144
associations, 137, 139
civil society organizations, 140, 152 n.1
corporate giving, 142
donations to different charitable sectors, 147, 517
financial advisory professionals, 145
fiscal incentives, 141–2, 545
foundations, 137–40
fund-raising code of conduct, 144
fund-raising practices, 144–5
Giving France survey, 145–52
government policy, 140–2
government support, 140–1
history of philanthropy, 137–8
incidence of giving, 148–50
Le Chapelier Act of 1791, 137
major donors in, 145
nonprofit sector, 11, 137–43
philanthropy in, 137–53
political culture, 143
public financial support, 138
public spending cuts, 138, 141–2, 145
regulation in, 142–3
religious composition/giving, 143–4, 146–52
social and charitable causes, 138, 146–50
state–nonprofit sector relationship, 521
volunteerism in, 139
France Foundation, 145
France Générosités, 143–6
Franck, Mikko, 163
Frankenberg, E., 389
Fraser, D., 286
fraud, 46–7, 65, 593
see also corruption
Freedom of Religion Act (Finland), 160
Freemasons, 171, 572
Freitag, M., 275
Frem, 349
French Association against Myopathy (AFM), 144, 574
French Association of Family Offices, 145
French Association of Fundraisers (AFF), 144
French Center for Trusts and Foundations, 145
French Mandate, 338–9
French Revolution, 137, 143, 521
Frick, J. R., 180
Fridberg, T., 245
Friedrich, P., 17
Fritsch, S., 171–2
Fritz Thyssen Foundation (Germany), 171
Frumkin, P., 615
Fukuda, A., 405
Fuller, P., 354
Fundación Lealtad of Spain, 69
fundraiser, dictionary definition, 572
fund-raising, see professionalism and organization of fund-raising
Fundraising Control (Norway), 236, 238, 240
fund-raising cost, 18
in Australia, 493
in Canada, 30, 32, 41
cross-national findings, 589–90, 608–10
in Germany, 175
in Ireland, 195–6, 198
lack of data, 589–90
in Lebanon, 343
in Mexico, 70
in Netherlands, 215–16
in South Korea, 434, 585
in Taiwan, 461
in UK, 292–4
in USA, 47–8, 50
in Vietnam, 479
fund-raising events, see event fund-raising
Fundraising Institute Australia (FIA), 489, 493
Fundraising Ireland, 195, 206 n.3, 582
Fundraising Japan (FRJ), 412
fund-raising methods, 19, 570–94
community, 576–7
corporate, 578–9
direct marketing appeals, 575
endowments, 580
events, 573–4
global trends, 589, 591
historical development of, 572–3
in-kind giving, 581
legacy/bequest appeals, 577
mobile/cell phones, 575–6
new typology of, 591–2
one-to-one approaches, 574–5
online channels, 575–6
planned giving, 577–8
raffles and lotteries, 580–1
research on, 570–2
sales of products, 581, 589
social media, 575–6
trusts and foundations, 579
see also individual entries
fund-raising products, 162, 256, 373, 376, 394, 434, 478, 581, 589
Fundraising Verband Austria, 106–7
Funds in Plain Sight, 83
FurusatoNozei (hometown tax), 422 n.6
GAIN (Global Alliance for Improved Nutrition), 274
Gal, J., 319
gala events, 32, 239, 343, 480, 574
Gallup World Poll (GWP), 90, 199, 207
n.9, 240, 384 n.5, 513–14, 530
Galnoor & Associates, 319
gaming, 158, 161, 195, 232, 235–6, 246, 580
Gancheva, V., 120
Gansuido (Japanese education institution), 404
Gao, B., 355
Garcia, S., 68, 77
Garcia Olson, L., 68
Gasman, M., 573
Gates, Bill, 50, 71, 327, 427, 452, 551, 571
Gates, Melinda, 50
Gautier, A., 137, 522, 598, 604
GAVI Alliance (Global Alliance for Vaccines and Immunisation), 274
Gavrilo, R., 118
Gelman, S. R., 47
Gemilut Chessed, 324
General Social Survey, 48, 463
Geneva, 267, 270–4
Georgievi, Evlogi and Hristo, 126
German Central Institute for Social Issues (DZI), 174, 176–8, 583
Donation Seal, 176, 178, 583
public survey, 180
German Fundraising Society, 176–7, 582
German Socio Economic Panel Study, 180, 185
Germany
amount donated in, 183–4
associations, 172, 175
blood donations, 179–80
cooperatives, 172
disaster relief, 178–9
dual system of social welfare, 171
financial advisory professionals, 177–8
fiscal incentives, 173–4, 549
foundations, 172, 175
fund-raising practices, 175–7
government policy, 173–4
government support, 173
Haiti earthquake relief (2010), 178
history of philanthropy, 170–1
HNWI (high net worth individuals) in, 177
incidence of giving, 182–3
Income Tax Act, 174
major donors in, 177
national-level survey, 180–4
nonprofit sector, 11, 171–5
philanthropy in, 170–85
public social spending, 172–3
regulation in, 174–5
religious composition/giving, 175–6, 183
subsidarity principle, 171, 173
tsunami relief (2004), 178
types of giving in, 180
volunteerism in, 172, 180
welfare services, 172–3
Gerxhani, K., 127, 132
Gesthuizen M., 128, 258
GfK CharityScope, 180
G-Foundations, 274, 282
Gibelman, M., 47
Giddens, A., 246
Gidron, B., 316, 318–22, 325, 327, 333–4, 601
gienkin (disaster relief giving), 414–15
Gift Aid scheme (UK), 290–1
gift fund-raising, 19
gift of Life Foundation (Russia), 257
gifts (nonmonetary), 197, 214, 236, 290, 348, 372, 431, 551, 576, 578
Gimpelson, V. E., 251
GINPS01, 219
GINPS05, 219–20
GINPS10_HNW, 214, 217–18
Give2Asia, 481
Giving Australia, 495–7
‘Giving for Poor Neighbors’ campaign (South Korea), 436
Giving France Study, 145–6
Giving in the Netherlands Panel Study, 146, 214, 219
Giving Japan, 412
Giving Korea, 437–40, 442, 446, 448–9
Giving Pledge, 50–1, 71, 145, 273, 551, 612
Giving USA, 49–51, 51, 53, 579
Giving White Paper (UK), 292
Glaeser, E. L., 471 n.11
Gleckskette, 273
Global 2000, 109
Global Civil Society Project, 67, 102–3, 158–9, 191, 212, 407–8
Global Fund (Global Fund to Fight AIDS, Tuberculosis and Malaria), 274
Global Fundraising (Cagney and Ross), 572
globalization, 94, 318, 463, 551, 583, 585
GLS Bank, 178
Gmür, M., 268
Gneezy, A., 580
Gneezy, U., 580
Gonzales, M. A., 93
good governance, 17, 313
Goodley, A., 16
Good Lottery Ticket, 106–7
Good Neighbors, 439
Gorchilova, D., 119, 122, 133, 600
Gordon, B., 573
Gosloto (Russian lottery), 257, 581
Gouwenberg, B., 4, 217, 220, 612
Governance Code, 194
government failure, 13–15, 602
Government of Egypt, 310
government policy
  in Australia, 490–1
  in Austria, 102–4
  in Bulgaria, 122–4
  in Canada, 27–9
  in the Caribbean, 91–2
  in China, 356–8
cross-national differences, 15–17, 603–5, 614
  in Egypt, 309–10
  in Finland, 158–9
  in France, 140–2
  in Germany, 173–4
  in Hong Kong, 372
  in Indonesia, 390–1
  in Ireland, 191–2
  in Israel, 319–22
  in Japan, 407–10
  in Lebanon, 342–5
  in Mexico, 67–8
  in Netherlands, 212–14
in Norway, 234–6
in Russia, 253–6
in South Korea, 429–32
in Switzerland, 269–70
in Taiwan, 457–8
in UK, 289–92
in USA, 46
government support, 15–17, 530–9
  factors promoting active philanthropy, 536
informality and distrust, impact on growth, 535–6
institutionalized giving mechanism, 536
  as major source of income, 532–4
  as minor source of income, 534–6
  specific characteristics (cross-national comparison), 536–8
  and strong control, 534–6
see also under names of specific countries
Graddy, E., 128
grant-making foundations, 36, 49, 139–40, 197, 232, 268, 271, 273, 281, 288–9, 308, 341, 479, 490, 502, 581
grassroots organizations, 313, 329, 331, 335 n.3, 357–8, 394, 405, 421, 475, 525, 576, 615
Great Barrier Reef Foundation, 497
Great Depression, 26
Great East Japan Earthquake (2011), 410, 412–15
Great Hanshin Awaji earthquake (1995), 405
Great Revolution, 355
GREE, 412
Greece, 511, 558
Green, M., 587
Greenfield, J., 94
green investment strategies, 178
Greenpeace, 109, 147, 164–5, 374–5, 384 n.14, 585
Green Power (Hong Kong), 374
Greenspan, I., 316, 598, 601, 606
Grenada, 88
Grønbjerg, K. A., 519
Guadarrama, G., 64, 66
Guardian Professional, 540
Guidelines for Laws Affecting Civic Organizations, 541
Guidestar (www.guidestar.org), 47, 323
Guilds, 338, 369
Gulbrandsen, T., 232
Gundelach, B., 275
Guy, Thomas, 294
Guy’s and St Thomas’ Hospital (London), 294

Haddad, M. A., 520
Haerpfen, C., 127
Hagleitner, J., 102
Haibach, M., 177, 184
Haider, A., 101
Haiti
  earthquake relief (2010), 15–16, 124, 126, 178, 218, 239–40, 274
  poverty, 90
  war relief, 107
  World Giving Index ranking, 90
Hale, S., 83
Hall, M., 298, 574
Hall, M. H., 26–8, 32, 41 n. 1
Hall, P. D., 44, 45
Handy, F., 3, 9, 14, 559, 571, 597, 613
Hanniffy, Anne, 206 n.3
Hansmann, H., 12
‘Haredi’ Jews (ultra-orthodox), 317, 324–5, 334
Hariri, 349
Harju, A., 155, 156
Harp Hélù family, 71
Harrop, A., 287
Harvard University, 274, 573
Harvey, D., 541
Haski-Leventhal, D., 316–18, 324, 325, 328, 344, 559
Havens, J. J., 617
Hazan, O., 318, 321, 322
health care, 11, 13, 25–6, 40, 45, 92, 103, 121, 213, 220–1, 250, 253–4, 286, 370, 429, 433, 477, 484 n.6, 532
Health Charities Coalition of Canada, 31, 583
health insurance, 13, 159
Healy, K., 558
heart and lung associations, 53, 220–1, 241
Heifer Hong Kong, 385 n.15
Heinrich, V. F., 340
Heitzmann, K., 100
Helander, V., 156
Helmig, B., 170–2, 174, 175, 178, 268, 269
Helou, Z., 328, 342
helping strangers, 90, 148, 157, 199, 204, 261, 265 n.2, 371, 384 n.5, 492, 535
Helsinki, 165
Hély, M., 139
Hemels, S., 213
Hems, L. C., 489
Henry, E. J., 89
Henson, S., 287
Her Majesty’s Revenue and Customs (HMRC), 290, 292
Hernandez family, the, 71
Heurlin, C., 521–2, 524, 525
Hiilamo, H., 156
Hillman, Richard S., 88
Himalaya Foundation, 471 n.8, 582
Hindus/Hinduism
  in Australia, 492, 498
  in Caribbean, 93
  in Germany, 175–6
  in Hong Kong, 374
  in Indonesia, 392, 398–400
  in USA, 48
  in Vietnam, 478
Hirsch, Baron, 326
HIV/AIDS, 476
HNWI (high net worth individuals)
  in Australia, 494
  in Germany, 177
  in Hong Kong, 376
  in Ireland, 196–7
  in Latin America, 71
  in Mexico, 71
  in Vietnam, 480
Hoa Hao, 478
Hobbs, D., 89
Hodgkinson, V. A., 558
Hodgson, Lord, 286
Hoexter, M., 307
Holder, J. W., 89
Hollenbeck, S., 45
Holmes, K., 559
Holy Land, 325
Hondius, F., 540
Hong Chi Association (Hong Kong), 374
Hong Kong
amount donated in, 378–83
civic organizations, 386 n.27
CSOs (civil society organizations), 369, 372
disaster relief, 383
donations to different charitable sectors, 517
family foundations, 375
financial advisory professionals, 376
fiscal incentives, 372, 549
fund-raising code of conduct, 375
fund-raising practices, 373–7
government policy, 372
government support, 372
history of philanthropy, 369–70
HNWI (high net worth individuals) in, 376
incidence of giving, 378
informal and anonymous giving, 376–7
international charities in, 373–5
July 1 protests, 376, 385 n.18
major donors in, 375–6
missionary activities in, 370
national-level survey, 377–83
new forms of giving, 377
NGOs (non-government organizations), 370–3
non-Chinese ethnicities, 374
philanthropy in, 369–86
PRC (People’s Republic of China), 370, 385 n.15
private foundations, 375
public social expenditure, 370, 372, 384 n.2
regulation in, 372–3
religious composition/giving, 374, 378–83
resistance in, 383
secular giving, 378–83
social welfare provision, 369–71
state–nonprofit sector relationship, 370–1
tax-deductible donations, 371
umbrella organizations, 375
under-reporting to IRD, issues of, 376
volunteerism in, 371, 378, 380, 382, 384 n.5, 386 n.26
World Giving Index 2012, 371
Hong Kong Action Support Consultant Co Ltd, 385 n.15
Hong Kong Council of Social Service, 375
Hong Kong Fundraising Consultancy Ltd, 385 n.15
Hong Kong Jockey Club, 374–5
Honma, M., 405
Honor Society program (South Korea), 435–6
Honours Committee (UK), 292
Hooghe, M., 128
Hoon, C., 389, 390, 393
Hope Worldwide, 385 n.15
Horn of Africa, 1983 famine, 218
hospices, 64, 296
Hospital of St Cross (UK), 285
Hossain, B., 553
Howard, John, 489
Hristova, D., 118, 126, 128, 576
HSBC Bank, 376, 484 n.14
Hsiao, H. M., 456
Hsinchu-Taichung earthquake (1935), 470n.1
Hu, M., 558
Huang, J. T., 355
Huang, X., 461
Huber, R., 64, 269
Huber Stephens, E., 64
Hudson, J., 575
Human Development Index, 90, 347
Humanitarian Coalition (Canada), 31, 590
Humphreys, R., 292
Hungary, 101
hunters associations, 118
Hur, Y., 426
Hussein, N., 308
Hussey, C., 192
Hustinx, L., 559
Hwang, H., 615
hybrid nonprofits, 370, 488
Hyundai, 426–7
Ibrahim, B., 307, 339, 341–4, 347
Ibrahim, B. L., 339, 341–4, 347, 348
Ibrahim, R., 389, 390
Ibrayeva, A., 523
Iceland, 134 n.1, 237
i-Donate (Hong Kong), 375
Illuminates, 171
Imada, T., 404, 405
Imagine Canada, 30–1, 582–3
impact investment, 377, 385 n.21, 536
Independent Commission Against Corruption (Hong Kong), 373
Independent Sector (USA), 47, 552
India
diaspora giving, 602
indentured servants, 88
online donation, 571
Indiana University, 51
Indicators of Institutionality and Transparency (Mexico), 69, 83
indigenous nonprofit organizations, 523, 587
indigenous peoples
in Australia, 488, 562
in Canada, 25
in Caribbean region, 88, 562
in Mexico, 64
in Norway, 237
religions, 478
in Vietnam, 478
individual giving, 9–10, 15
in Australia, 489–95, 503, 551
in Austria, 103–4, 106–8, 111
in Bulgaria, 119, 123, 126–7, 129, 132–3, 537
in Canada, 25–6, 28, 33
in the Caribbean, 89, 95, 97
cross-national data, 16
in Egypt, 308–9, 311–13, 590
in Finland, 156–7, 159–63, 166–7, 534, 550, 604
in France, 139–42, 144, 148, 533
in Germany, 174, 177, 180–1
in Hong Kong, 376–7, 382–3
in Indonesia, 394–5, 535
in Ireland, 193, 197
in Israel, 318, 322, 324–5
in Japan, 404, 406, 409–16, 421, 422 n.6
in Lebanon, 341, 343–4, 347, 349–50
in Mexico, 68, 71–2
motivations for, 4–5, 610–12
in Netherlands, 214, 533
in Norway, 235, 240
in Russia, 249, 253–4, 258–9, 261, 264, 536
in South Korea, 430–2, 436–40, 452, 534
in Switzerland, 269, 278, 281–2, 533
in Taiwan, 457–8, 462–3, 466, 470, 534
in UK, 288–9, 293, 294, 296, 298–9, 302
in USA, 49–50, 52–3, 61
individualism, 318, 351
Indonesia
amount donated in, 399–401
associations (perkumpulan), 389–90
charitable causes, 389
civil society groups, 390, 393–5, 535
corporate social responsibility, 395
disaster relief to, 395
domestic donors, 392, 394–5
economic shocks, impact of, 389, 395, 535–6
financial advisory professionals, 394–5
fiscal incentives, 391, 545
foundations (yayasan), 389–92
fund-raising practices, 393–4
gotong royong (community participation), 388–9
government policy, 390–1
government support, 390–1
history of philanthropy, 388–9
incidence of giving, 397–9
international donors, 392–5
major donors in, 394
national-level survey, 395–401
NPOs (nonprofit organizations), 388–95, 401, 536
other forms of NPOs, 390
philanthropy in, 388–401
public social expenditure, 390
regulation in, 389–92
religious composition/giving, 391–3, 395–401
secular giving, 395–401
Suharto regime (1965–1998), 388–90, 393
umbrella organizations, 390
zakat funds and management, 391–4, 395–401
ZIS funds, 393

Indonesian Center for Reporting and Analysis of Financial Transactions, 392

infak (donations made without self-motivated interests), 393, 401 n.1
informal giving, 70, 333, 335 n.2, 376, 536, 618
Ingenhoff, D., 272, 576
Inglehart, R., 70
inheritance tax, 71, 290–1, 391, 413
Initiative Transparent Civil Society (Germany), 176–7
INKEx research, 191
in-kind donations, 269, 313, 328–9, 344, 349–50, 581
Inland Revenue Department (IRD; Hong Kong), 371–3, 376, 384 n.8
Innes, J., 286
innovations, nonprofit, 587, 593
Inselspital, 267
Institute of Fundraising (UK), 18, 293, 582
Institute of World Religions, 358
Institut Pasteur (France), 274
Internal Revenue Service (IRS, USA), 45–6, 550
international aid and development, 299, 496–7
International Association of Advisors in Philanthropy (USA), 52
International Center for Not-for-profit Law (ICNL), 541
International Classification of Non-Profit Organizations (ICNPO), 34, 146
definition of charity, 288, 303 n.2
International Committee of Fundraising Organizations, 238, 583
International Committee of the Red Cross (ICRC), 267, 274
International Federation of Association Football (FIFA), 274
International Monetary Fund, 392
International Olympic Committee (IOC), 274
Internet fund-raising, see online donations
Investing in Ourselves report, 394–5
Iraq war, 107
Ireland
amount donated in, 202–4
Celtic Tiger years, 190–1
Charities Act, 194, 198
Constitution (1937), 194
corporate giving, 197
disability services, 192, 196
economy, 196
eligible charities, 192–4
famine (1840s), 190
Finance Act 2013, 192
financial advisory professionals, 197
financial crisis, impact of, 191
fiscal incentives, 192–3, 546, 552
Forum on Philanthropy, 191–2, 205
fund-raising code of conduct, 194
fund-raising practices, 195–6
Gaming and Lotteries Act 1956, 195–6
global ranking, 196, 199, 204
government support, 191–2
grant-making trusts and foundations, 197
history of philanthropy, 190–1
HNWI (high net worth individuals) in, 196–7
Household Budget Survey (HBS), 198–204
incidence of giving, 200–2
independence of, 196
individual giving, 196–7
Ireland – continued
major donors in, 196–7
nonprofit sector, 191–4
Penal laws, 190
philanthropy in, 190–207
Poor Laws, 190
public services, 191–2
public social spending, 191–2
recession in, 199
regulation in, 194
religious composition/giving, 194–5, 199–205
secular giving, 199–205
Taxes Consolidation Act 1997, 192
two jurisdictions, 197–8
types of charitable donations, 199
World Giving Index, 199
Irish, L. E., 541
Irish Central Statistics Office, 198
Irish Charities Tax Reform Group (ICTRG), 193
Irish Consumer Price Index, 198
Iron Curtain, fall of, 101
Irvin, R., 76
Ishida, Y., 408
Islamism/Islamic societies
in Australia, 492, 498
in Austria, 105–6, 111
basic principles, 307–8, 311, 313, 316, 323–4, 344, 347–8, 391, 393–4, 401 n.1, 561, 585–6
in Bulgaria, 124–5
in the Caribbean, 93
in China, 358
in Egypt, 307–8, 310–12, 314, 561
in France, 143, 148
in Germany, 175–6
in Hong Kong, 374
in Indonesia, 388, 391–5, 399–401, 597
inheritance laws, 307
in Ireland, 195
in Israel, 316, 323–5, 329, 333, 561
in Lebanon, 346–8
in Netherlands, 215
in Norway, 237
in Russia, 255–6
in Switzerland, 271
in USA, 48
in Vietnam, 478
Israel
Arab-Palestinians in, 321, 325
Aridor Committee, 320
charitable causes, 326–33
corporate giving, 322
diaspora donors, 321, 327–8, 586
donations to different charitable sectors, 329
financial advisory professionals, 327–8
fiscal incentives, 322, 546
fund-raising practices, 325–6
GiVOD-IL survey, 328–33
government agencies, 323
government–nonprofits–civil society relations, 320–1
government–nonprofits competition, 328, 537
government policy, 319–22
government support, 321–2
history of philanthropy, 316–18
individual giving, 322
inter-sectoral collaborations, 320–1
Jewish Diaspora, 319, 324–6
Law of Associations (Amutot), 318, 320, 322–3
major donors in, 326–7
nonprofit sector, 318–23
NPOs (nonprofit organizations), 323, 326, 329, 333
–Palestinian conflict, 319
public social expenditures, 319
regulation in, 322–3
religious composition/giving, 316–18, 323–5, 328–33
secular giving, 328–33, 335 n.3
welfare provision, 318–19
Israel Association of Professional Fundraisers (IAPF), 326, 333, 582
Israel Gives (israelgives.com), 326, 590
Italian Cooperation, 344
Italy, 11, 16, 271, 511, 519, 594 n.2
ITAM, 77
Ivanter, A. E., 251
Jaakkola, J., 156
Jacobs, E., 218
Jaffe, E., 325
Jaffe, E. D., 322
Jakob, D., 268, 269, 271
Jakobson, L. I., 249–52, 258, 261, 262
Jamaica, 89–92, 94–5
Stewart family, 95
James, E., 519
James, R. N. III., 49
Jane and Aatos Erkko Foundation, 162
Japan
accreditation system, 406, 411
amount donated in, 419–20
charitable causes, 415–20
civil society groups/organizations, 404–5
Constitution, 405
disaster relief giving, 179, 412–15
financial advisory professionals, 413
fiscal incentives, 408–10, 546
foreign funding, 119, 414
fund-raising practices, 412–13
gienkin giving, 414–15
government policy, 407–10
government subsidies, 407–8
history of philanthropy, 404–6
incidence of giving, 417–19
individual giving, 411–12, 416
JGVS survey (Japan Giving and Volunteering Study), 415–20
Kanjin/Houga/Tanomoshiko practices, 404
legal reforms, 405–6, 422 n.1
major donors in, 413
‘New Public Common, The’ government fund-raising initiative, 408
NGOs, 414
nonprofit sector (Specified Nonprofit Activities Corporations; SNACs), 11, 405–11
NPOs/NPO law, 405, 410–11, 414, 422 n.1
nuclear meltdown (2011), 179
philanthropy in, 404–22
Public Interest Corporations, 406
public service provision, 406–7
public social expenditures, 407
regulatory reforms, 405–6, 410–11
religious culture/giving, 411–12, 415–20
secular giving, 415–20
shienkin giving, 414–15
social movements, 405
Japanese Support Test, 410
Japan Fundraising Association (JFRA), 412–13
Japan Red Cross Society, 412, 414–16
Jays, E., 572
JB Fernandes Award, 91
JB Fernandes Memorial Trust II, 91
Jehovah’s Witnesses, 48–9, 105, 111
Jencks, C., 438
Jenny and Antti Wihuri Foundation, 162
Jean-Slaughter, H., 19
Jewish Agency, 317
Jewish communities
in Austria, 106
Diaspora, 316–19, 321, 324–6, 328, 333, 561, 586
in France, 143, 148
in Germany, 173, 175–6
in Israel, 316–19, 324–34, 522, 561, 584, 601, 606
in Lebanon, 352 n.3
in Switzerland, 271
in USA, 48, 56–61, 561
Jewish Funders Network (JFN), 327–8, 333
Jewish National Fund (JNF), 317
Jin, Z., 358
Jochum, V., 293
Johns, K. 90, 601
Johns Hopkins University (JHU)
Comparative Nonprofit Sector Project, 6, 11, 34, 66, 77, 140–1, 171, 252, 516, 619 n.2
Global Civil Society project, 67, 102–3, 158–9, 191, 212, 407–8
Johnson, P. D., 488
Johnston, P. 33
‘jollification,’ 88
Jones, R. 98 n. 2
Jordan, W. K., 285
‘joy of giving,’ 5, 436
Judaism, 323–4, 498, 558, 561, 565, 607
Julkunen, K., 156
Jung, K., 534
Jung, K. H., 429
Jusuf, Gunawan, 394
Kääriäinen, K., 160
Kabakchieva, P., 118, 119, 123, 128, 600
Kabalo, P., 316–318, 325
Kahr, M. K., 45
Kaitokudo (Japanese education institution), 404
Kane, D., 287
Kang, C. H., 426, 435, 437, 438, 451, 559, 598, 606, 609
Kang, H., 19
Kangas, O., 245
Kanji, N., 388
Kao, A. P., 461
Kapelushnikov, R. I., 251
Kapur, D., 602
Karin Dom Foundation, 127
Karvonen, S., 157
Kasternakis, A., 18
Kasumba Malunda, S., 558
Katan, J., 316, 319
Katz, H., 316, 319–21, 324–8, 598, 601, 606
Kazakhstan, 523
Kearns, K. P., 17
Keenan, E. A., 580
Kelly, J., 190
Kendall, J., 287, 289
Ketola, K., 160
Kharas, H., 308
Kilfeather, E., 192
Kim, J., 354
Kim, N., 391, 392
Kim, M. O., 435
King, B., 95, 237, 285
King Le Thanh Tong, 473
King of Denmark, 237
King’s School, Canterbury, 285
Kinoti Meme, D., 558
Kirsch, A. D., 558
Klay, R., 558
Kleiman, E., 324
Klose, M., 171
Knapp, M., 287, 289
Knorré, B., 558
Koele, I., 17
Koelling, M., 272
Kölling, M., 576
Kono, V., 250
Kononykhina, O., 250
Koppisch, J., 394
Kordant Philanthropy Advisors, 484 n.14
Korea Institute of Public Finance, 437
Korean Red Cross, 437
Korean United Way, 435–6, 439
Kosareva, P. M., 251
Kosovo war, 274
Koss, C., 271
Kotov, Y., 250
Kou (Japanese neighborhood organization), 405
Kozureva, P. M., 251
KPMG, 145
Krauze, E., 64, 65
Krimmer, H., 171, 172
Kuan, Y. Y., 456, 462
Kühnle, S., 231, 559, 599
Kuran, T., 307
Kushen, R., 307
Kuzina, O. E., 258
Kwok brothers, 375
Laaksonen, H., 156
labor unions, 156, 369, 386 n.27, 405, 415–16, 418, 420, 430, 522
Laibson, D. I., 471 n. 11
Lam, Pui-Yan., 369, 558
Lam, W. F., 370
Lamb, L., 553
Lansley, S., 297
Lasby, D., 25, 32, 40
Lasby, D. M., 29
Latin America
CASE, 70
Catholic Church, role of, 70
economic crisis, 65
HNWI (high net worth individuals) in,
inequality, 71
military dictatorships, 65
nonprofit sector, 66
public support, 67
see also Mexico
LaTowsky, R. J., 309
Lausanne, 271
Laville, J. -L., 138
Law of Associations
in Austria, 100
in Egypt, 309–10
in France, 142
in Israel, 318, 320, 322–3
Ottoman (Lebanon), 339, 342

648 Index
Law on Mass Organizations (Indonesia), 392
Law on Social Organizations (Indonesia), 392
Lawrence, S., 579
Layton, M. D., 64, 66, 68, 70, 72–7, 83, 540, 604–5, 614
Lazar, A., 325
Leading Your NGO: Corporate Governance: A Reference Guide for NGO Boards (Hong Kong), 373
Leat, D., 492, 494
Lebanon
associations, 339
citizen involvement in nonprofit sector, 341
civil war (1975), 339
CSOs (civil society organizations), 339–41, 347
CSR (corporate social responsibility), 350–1
diaspora donors, 339, 343–4, 350
education in, 346
financial advisory professionals, 350
fiscal incentives, 343–5, 547
foreign associations in, 342, 344
French Mandate, 338–9
fund-raising code of ethics, 346
fund-raising training programs, 349
government policy, 342–5
government social spending, 340, 342–3
government support, 342–3
history of philanthropy, 338–9
independence of, 338–9
individual donations, 343–4
international donors, funding from, 339, 342–5
local giving, 344
major donors in, 349–50
media coverage of philanthropy, 350
missionary activities in, 338–9
MOI (Ministry of Interior), 342
motivations for philanthropy, 344
networking among NGOs, 350–1
NGOs (nongovernmental organizations), 339–46
NGO–government relationships, 345–6
NGO–private sector relationships, 350–1
organized civic activism, 339
Ottoman Law of Associations (1909), 339, 342
philanthropy in, 338–52
private philanthropic funding, 339, 343, 350–1
professionalism of fund-raising, 348–9
regulation in, 345–6
religious composition/giving, 346–8, 352 n.3
remittances to, 343–4
social welfare services, 340–1
socio-cultural environment, 346–7
UNDP and, 346–7, 350
volunteering in, 340–1, 349
zakat, waqf and sadaqa (religious practices), 344, 347–8
Lee, E. W. Y., 371
Lee, S. T., 431
Lee-Chin, Michael, 95
Lee Hyson Foundation, 375
Lee Shau Kee, 375
legacy giving, 19, 195, 291, 303 n.7, 355, 573, 577–8
Lehmann, M. B., 325
Leis-Peters, A., 563
Les Restos du Coeur, 147
letter appeals, 94, 146, 161, 216–17, 238, 434, 496, 573
Leukaemia Foundation, 496
Levinson, E., 320
Lewis, D., 388
LGT Venture Philanthropy, 273
liberal nonprofit sector, see classification of nonprofit sector, Salamon-Anheier
Lichtsteiner, H., 268
Lieberthal, K., 354
life expectancy, 617
Life Line Foundation (Russia), 257
Liffman, M., 488, 492
Light for the World, 110
Ligue contre le Cancer (France), 146
Li Ka-Shing, 375
Lim, C., 18, 560
Limor, N., 318, 321–3, 326, 333
Lin, H-Y., 553
LIN Center for Community Development (Vietnam), 481
Lincoln, R., 49
Lindsay, C., 30
Lindstrom, J., 287
Lions Club, 164
Lipsky, M., 17
List, R., 6, 146, 173, 318, 533
Liu, Y., 356
Llosa, Mario Vargas, 65
Lloyd, T., 296, 297
Lo, K., 609
Lo, K.-T., 455, 470, 553
Long, J. S., 236 n. 3, 304 n. 14
Long-term Care Insurance (Japan), 408
Looijenstein, H., 211
Lorentzen, H., 235
Lotteries Fund (Hong Kong), 372, 374–6, 384 nn.6–7, 385 n.24, 580, 587
lottery solicitations, 580–1
  in Austria, 106–7
  in Canada, 32, 580
  in China, 359
  in Finland, 156, 158–9, 580
  in Hong Kong, 372–6, 384 n.6, 385 n.24, 580, 587
  in Ireland, 195–6
  in Israel, 326
  in Mexico, 70
  in Netherlands, 217, 580
  in Norway, 232, 236, 238, 580
  in Russia, 257, 581
  in South Korea, 434–5
  in Taiwan, 462, 471 n.9, 580–1
  in UK, 289, 291, 580
Low Tuck Kwong, 394
loyalty, 217, 341, 344, 434, 480, 537, 578
Lump Sum Grant Subvention System (Hong Kong), 374, 585
Lunn, J., 558
Lutheran Church
  in Australia, 498
  in Finland, 155, 157, 159–60, 164–5
  in Norway, 237–8
Lutheran Reformation, 237
Lutz, W., 617
Lynch, Merrill, 71, 177, 480
Lyons, M., 489, 492, 495
Maaty, A., 308
MacGregor, A., 560
MacGregor, C. A., 18
Madden, K., 489, 491, 493, 494
major donors
  in Australia, 493–4
  in Austria, 107
  in Bulgaria, 126–7
  in Canada, 32, 95
  in the Caribbean, 95
  in China, 359–60
  in Egypt, 312
  in Finland, 162–3
  in France, 145
  in Germany, 177
  in Hong Kong, 375–6
  in Indonesia, 394
  in Ireland, 196–7
  in Israel, 326–7
  in Japan, 413
  in Lebanon, 349–50
  in Mexico, 71
  in Netherlands, 217
  in Norway, 238–9
  in Russia, 257–8
  in South Korea, 435–6
  in Switzerland, 272–3
  in Taiwan, 461
  in UK, 294–6
  in USA, 50–1
  in Vietnam, 480
major gift giving, 19, 95, 145, 197, 493–4, 576–7, 587
Makhzoumi, 349
Mäkinen, V., 558
malaria campaign, 273–4
Malik, T., 390
Malkova, M. A., 251
Manchester, UK, 573
Manninen, M., 162
Mariani, E., 214, 612
market failure, 10–14
Markkola, P., 155
Mark Six Lottery (Hong Kong), 384 n.6, 580
Martin, S. A., 26
Marxism, 520
Matskevich, A. V., 254
Mayapada Group, 394
Mayec Vargas Arias, S., 68
Index 651

McDonald, K., 488, 490, 492, 494, 503, 551, 598, 612
McGregor-Lowndes, M., 491, 494
McKinsey and Company, 196
McLean, M., 92
Médecins Sans Frontières (MSF), 3, 147, 239, 374–5, 585
media, role of, 589, 593, 615–16
in Australia, 491, 493–4, 551
in Austria, 104
in Bulgaria, 126
in China, 359, 361
in Egypt, 313
in Finland, 163
in France, 145, 574
in Germany, 178, 196
in Indonesia, 392, 394
in Israel, 323
in Lebanon, 339, 350–1
in Mexico, 65, 75
in Netherlands, 218
in Norway, 240
in Russia, 258
in South Korea, 427, 436–7, 452
in Switzerland, 273
in Taiwan, 460–1
in UK, 286–8, 297–8, 574
in USA, 46, 551
in Vietnam, 473–4, 480–1
see also social media/networks
'median voter theorem,' 13–14
medical equipment donations, 146, 238
Medical Missionary Hospital of Hong Kong, 369
medical research/services, 4
in Australia, 496–7, 499, 501
in Bulgaria, 123, 126
in China, 355
in Finland, 157
in France, 138, 146–7
in Hong Kong, 369
in Ireland, 190, 598
in Japan, 407–8
in Norway, 234, 238, 241
in Russia, 251–2
in South Korea, 433
in Taiwan, 456, 463–5
in USA, 285–7, 296, 299, 537
in Vietnam, 476–7, 484 n.6
medieval philanthropy, 285, 404, 572–3
Mediterranean Sea, 338
Meijer, M. -M., 220
Meijs, L. C. P. M., 559
Meng, Z., 356, 362
mental health charities, 155, 160, 164, 212, 463
merchandise, see fund-raising products
Mersiano, I. V., 249–51, 253, 257, 258, 261, 262
Methodist Church, 498
Mews, M., 170, 179, 533, 609
Mexican Center for Philanthropy, 69
Mexican Revolution (1910–1920), 65
Mexico
accreditation programs, 69
amount donated in, 81–2
democratic transition, 65–6
donations to different charitable sectors, 517
earthquake (1985), 65
economy, 65, 72
ENAFI survey, 76–82
financial advisory professionals, 71
fiscal incentives, 67–8, 547
fund-raising practices, 70, 75–6
government policy, 67–8
government support, 67
history of philanthropy, 64–6
HNWI (high net worth individuals) in, 71
incidence of giving, 69–81
income inequality, 71
individual giving, 72–3, 83
informality and public distrust, 72–5
major donors in, 71
national fund-raising campaigns, 75–6
nonprofit sector, 66–9
philanthropy in, 64–84
preferred manner of donation, 72–4
public social expenditure, 66
regulation in, 68–9
religious composition/giving, 70, 77, 79–81
secular giving, 79–81
tax system, 67–8
Meyer, M. 101, 173
Meza, Y., 68
Michon, R., 586
microfinance/crowdfunding, 412, 554, 590
Middle Ages, 137, 162, 170–1, 211, 231, 267, 282 n.1, 598
Middle East, 325, 338, 534, 558
Middlemiss, M., 563
Midot (www.midot.org.il), 323
Miller, D. R., 89
Miller, E., 91, 95
Million Dollar Gift List, 50
Million Pound Donors Report, 295, 577
Millner, R., 101
Min, I. S., 438
Miracle on the Han River, 426
Mirtrokhin, N., 255
misconduct, 47
Missio, 110
Mission Support Ltd (Hong Kong), 374–5, 384 n.14
MIXI, 412
Mobage, 412
mobile/cell phones, 257, 260, 480, 575–6
Modern Age, 171
modernization, 120, 232, 286, 292, 433
Mohan, J., 288
Mohn, Trond, 238
Moisio, P., 157
monetary donations, see cash donations
money transfer orders, 106, 108, 144, 213, 257, 259
monitoring, see third-party monitoring
Monnot, C., 271
Monsiváis, C., 65
Monsma, S. V., 559
Montefiore, Moshe, 317, 326
monthly/regular donations, 106, 126, 161–2, 165–6, 200, 238–9, 242, 246, 257, 260, 270, 374–5, 385 n.15, 460–1, 493, 574–5, 578, 583
Moody, W. S., 92
Moore, B. Jr., 510, 516
Mor, A., 322
Moreno, A., 68, 70, 72–7
Morgan, G., 198
Morgan, K. J., 519
Morgan, M. M., 558
Mormons, 48–9, 498
Morrison Education Society (Hong Kong), 370
Morrissey, C. A., 49
Morsi, Mohamed, 309, 314
Mossel, V., 64, 137, 488, 522, 598, 604
Mossialos, T., 252
Moukheiber, G., 342, 345
Mubarak, Hosni, 308–9, 312–13, 525
Mukai, R., 579
Mullin, R., 573
multilateral donors, 479
multinational corporations, 120, 126, 133, 579, 583, 585, 587, 592
Mundey, P., 49
Murphy, R., 554
Murray, S., 573
Murua, S. L., 68
Musick, M., 558, 564
Muslims, see Islamism/Islamic societies
Mussolini, 519
MVP Consultants (Hong Kong), 385 n.15
Myanmar cyclone (2008), 383
mygoodact.com, 240
myhappyend.org, 272
MySpace, 412
Nakoneshny, N., 26
Nam, C. W., 17
naming opportunities, 294
Nara period (Japan), 404
Nasser, Gamal Abdel, 307
National Agricultural Cooperative
Federation (South Korea), 428
National Council for Voluntary
Organisations (NCVO; UK), 287–8, 303 n.2
National Federation of Fisheries
Cooperatives (South Korea), 428
National Fundraisers’ Guild (Russia), 256
national fund-raising campaigns
in Austria, 107–8
in Mexico, 75–6
in Netherlands, 218
in Norway, 239–40
in South Korea, 436–7
in Switzerland, 273–4
National Insurance Institute (Israel), 328
National Lottery for Public Assistance
(Mexico), 70
National Network for Children (Bulgaria), 124
National Network of Consultants to Grantmakers (USA), 52
National Police Board (Finland), 160
Navarro Arredondo, A., 67
Nazis, 522
Neighbor in Need campaign (Austria), 107, 110
Netherlands
amount donated in, 223–5
'Bible belt,' 215–16
CBF accreditation, 18, 215
charitable subsectors, 219–21
core government tasks, 212
cultural sector, 213
disaster relief, 218
donations to different charitable sectors, 517
financial advisory professionals, 217–18
fiscal incentives, 213–14, 549
four pillars, 211
fund-raising practices, 216–17
GINPS survey, 219–25
government policy, 212–14
government subsidies, 212–13
history of philanthropy, 211–12
HNW (high net worth) households in, 217
'hofjes,' 211
incidence of giving, 221–3
Maecenas, 212
major donors in, 217
media scandals, 218
national fund-raising campaigns, 218
nonprofit sector, 212–15
philanthropy in, 211–26
provision of public goods and services, 212–13, 221
public distrust, 218
public social expenditures, 212
regulation in, 215
religious composition/giving, 211, 215–16, 221–5
secular giving, 221–5
tsunami relief (2004), 218
volunteerism in, 219
Neuchâtel, 270, 272
Neumayr, M., 100–4, 106, 108, 109, 114, 115, 576, 609
Neusner, J., 558, 565
New Brunswick, 29, 31
New Yishuv, 317
New Zealand, 492, 573, 594 n.2
Nezhina, T., 523
NGO Caribbean Development Foundation, 91
NGOs (nongovernmental organizations), 600, 618
in Bulgaria, 120–1, 123, 126, 128, 133, 537
in the Caribbean, 91, 93
in China, 355–7, 359, 525, 537
in France, 147
in Hong Kong, 369–78, 382–3, 384 n.7, 385 nn.15–16, 536
in Japan, 414
in Lebanon, 339–51, 616
in Norway, 234
in Russia, 262
structural-operational definition, 340
in Vietnam, 474–7, 483 n.2, 525
Nguyen, P. A., 473, 475, 480, 530, 600–1
Nguyen, T. B. D., 475
Nguyen Dynasty, 473
Nguyen-Marshall, V., 473
Niel, X., 143
Niemelä, K., 160
921 earthquake (1999), 456, 470n.1
Nivison-Smith, I., 492
Noël, V., 190
Nollert, M., 269
Nolte, I., 178
Nonprofit and Voluntary Sector Quarterly, 51
Nonprofit Management and Leadership, 51
nonprofit organizations
accreditation seals, 17–18
characteristics of, 3, 11–12
code of conduct, 18
common definition, 3
corporatist, 11
cross-national differences (comparative study), 509–27
facilitating factors for philanthropy, 9–19, 610–18
fiscal incentives, 17, 540–55, 604–5, 614
nonprofit organizations – continued
fund-raising strategies, 19, 570–94
future areas of research, 618–19
government support, 15–17, 530–9, 603–5
historical development of, 597–602
liberal, 10–11
public social spending, 602–3
regulatory systems, 17–18, 605–6
self-regulation, 18
size and scope, 602–3
social-democratic, 10–11
social origins of, 10–11, 509–27
sources of income, 3–4, 11
statist, 11
third-party monitoring, 18, 609–10, 614
trustworthiness of, 17, 612–13
types of (Salamon-Anheier classification), 10–11, 510–11
see also under names of specific countries
non-statutory welfare services, 171
Norenzayan, A., 18
Norlund, I., 477
Norsk Tipping, 232, 235–6, 580, 606
Northern Ireland, 197–8, 206 n.2, 298
Charities Act of 2008, 286
Charities Commission for, 198, 287, 292
Norway
amount donated in, 243–5
associations, 232–3
ban on gaming, 232, 236
charitable causes, 240–5
disaster relief, 239–40
donations to different charitable sectors, 517
dugnad, 231
fiscal incentives, 235–6, 549
foreign funding, 119
fund-raising practices, 238
government policy, 234–6
government support, 234–5
history of philanthropy, 230–2
incidence of giving, 243
major donors in, 238–9
media scandals, 240
national fund-raising campaigns, 239–40
national-level survey, 240–5
nonprofit sector, 232–7, 537–8
philanthropy in, 230–46
popular movements, 231
public welfare spending, 233–4
regulation in, 236–7
religious composition/giving, 237–8, 242–5
‘Scandinavian model’ of welfare provision, 231
umbrella organizations, 235
voluntary sector, 231–2
volunteerism in, 231–4, 237, 239, 246
Norwegian Air Ambulance Foundation, 241
Norwegian Broadcasting Corporation (NRK), 239
Norwegian Cancer Society, 238, 241
Norwegian Church Abroad, 242
Norwegian Church Aid, 240, 242
Norwegian Confederation of Sports, 235
Norwegian Fundraising Association, 238, 582
Norwegian Gaming and Foundation Authority, 236
Norwegian Health Association, 241
Norwegian Heart and Lung Patient Organization (LHL), 241
Norwegian Humanist Association, 237, 242
Norwegian People’s Aid, 239, 241–2
Norwegian Radium Hospital, 238
Norwegian Red Cross, 239–42
Norwegian Refugee Council, 239
Norwegian Rescue Dog Association, 241–2
Norwegian Society for Sea Rescue, 241
Norwegian Women’s Public Health Association (NKS), 241
Notter, T., 272
Nowotny, T., 127
NSPCC (National Society for the Prevention of Cruelty to Children), 304 n.20
O’Brien, A., 488
O’Brien, C., 206
Occupy Central movement (Hong Kong), 376, 385 n.19
Ocejo, A., 67
OECD countries (Organization of Economic Co-operation and Development), 45, 66, 68, 71, 102, 138, 141, 204, 207 n.13, 252, 390, 407, 453 n.1, 489–90, 535
Ofner, Sami, 327
Office for Civil Society (UK), 292
Office of the Director of Corporate Enforcement (ODCE; Ireland), 194
Office of the Scottish Charity Regulator, 287, 292
Official Development Assistance (ODA), 16, 204, 475, 484 n.13, 600, 618
Ökten, Ç., 388, 597, 600
Old Yishuv, 316–17, 326
Olvera, A., 66
O’Mahony, E., 195
One Foundation, 197
O’Neill, M., 298
One Percent Difference Campaign (Ireland), 205
one-time donations, 162, 460
one-to-one approaches, 574–5
Onishi, T. 571
online donations, 575–6
in Australia, 491, 493
in Austria, 106, 576
in Canada, 31, 590
in China, 359, 361
in Finland, 161
in France, 144, 146, 576
in Hong Kong, 373
in India, 571
in Israel, 326
in Japan, 412
in Mexico, 76
in Netherlands, 217, 219, 576
in Norway, 238
in Russia, 256–8, 260
in Switzerland, 272, 576
in USA, 49
see also monthly/regular donations; social media/networks
Ontario, 29, 31
Ontario Nonprofit Network, 31
Open Society Foundation, 119
Open Society Institute (OSI), 125, 133, 541
operating associations, 139
operating foundations, 49, 140
Operation Hunger Day, 165
Ofpermann, R., 171
opportunity costs, 554, 590, 608
O’Regan, A., 190
organizational integrity, 17–18, 366
organized civic activism, 339
Orozco, M., 602
orphanages, 64, 123, 221, 262, 267, 286, 354, 479, 561, 565
Orthodox Church
in Australia, 498
in Austria, 105, 111
in Bulgaria, 124–5
in Finland, 159
in Germany, 175–6
in Ireland, 195
in Netherlands, 215
in Russia, 249, 255–6
in USA, 48
Ortmann, A., 18
Osaka, 404–5
Osborne, George, 540
Osili, O., 393
Osili, U., 61, 168, 597–05
Oslo, 238
Ottoman Empire, 118, 126, 307, 313, 317, 338
Ottoman Law on Associations of 1909, 339, 342
Ottoni-Wilhelm, M., 44
Ou, J. D., 457
outsourcing of services, 101, 161, 408, 585
Ovcharova, L. N., 251
Owen, D., 285
Oxfam Hong Kong, 374, 585
OXFAM NOVIB, 220
Ozcelik, Y., 571
Ozdemir, Z., 571
Pache, A., 522, 598, 604
paid employment, 6, 26, 102, 120, 139, 233, 309, 348, 389, 394, 429, 462, 577, 591, 615
Paik In-Jae Surgical Hospital (South Korea), 433
Pakistan, 107, 374
flood relief, 178–9
Palestine
  Arab-Palestinians in Israel, 318, 321, 325–6
  –Israeli conflict, 319
  Jewish communities in, 316–17, 325–6, 333, 522, 573, 601
Palmu, H., 160
Pamfilova, E. A., 251
Pan, P., 530
pandemics, 147
Pan-Islamic diaspora, 602
Parent Teacher Associations (UK), 288–9
pari-mutuel lottery, 462, 471 n.9
Park, J. Z., 562
Park, S. K., 431
Park, T., 534
Park, T. K., 429, 430
Parsche, R., 17
partnership programs, 377
Passey, A., 495
patriotic philanthropy, 327
Paul-Ehrlich-Institute, 180
pay-as-you-earn (PAYE) donors, 192–3, 205
Payes, S., 318
Payne, A., 571
payroll giving, 19, 49, 94, 125–6, 133, 139, 257, 259, 290–1, 294, 334, 394, 460, 489, 491, 493, 579, 585, 589
Paz, O., 64, 65
Peacock, M. S., 462, 481
Pelling, E., 491, 494
Peloza, J., 9, 253
Peng, J., 356
Pennerstorfer, A., 101
‘penny donors,’ 613
Pentecostals, 195, 498
Peri, O., 307
permits, 160, 358, 432, 479, 503, 550, 574, 584
Perry, J., 370
Personal Income Tax Law (PIT ), 476
persuasion through donors, 434, 460, 462
Peters, E., 176
Petrov, E., 123–4
Pettersson, P., 157, 563
Pew Forum on Religion and Public Life, 48, 393
Pew Research Center, 478
Pharoah, C., 299
‘philanthropic talk,’ 282, 612
philanthropy
cross-national differences in,
explanations for, 9–19, 597–619
definitions, 3, 7 n.1
facilitating factors for, 9–19, 597–619
historical development of, 597–602
scandals, 47, 105, 206, 218, 240, 361, 366, 462, 481, 587, 616
seven global mega-trends in, 586–9
venture philanthropy, 273, 377, 385 n.21, 536, 539
see also under names of specific countries
Philanthropy Australia, 489–90, 502–3
Philanthropy Ireland, 205, 553
Philippines Typhoon, 239
Phillips, S. D., 30
Phoenicians, 338
Pillar Nonprofit Network, London/Ontario, 31
Pioppi, D., 307–8
Pishnyak, A. I., 251
Plan International, 164, 220, 272, 274, 375, 385 n.15
planned giving, 32, 49, 191, 199, 411, 413, 427, 434, 438, 452–3, 494, 534, 577–8
Plan Norway, 242
plaques, recognition, 294
pluralism, 19, 316, 318, 541
PMO, 320
Pobeda Lottery (Russia), 257, 581
Po Leung Kuk (Hong Kong), 369–70, 377, 385 n.4
Policy 21 Ltd., 374, 385 n.22
Polischuk, L. I., 258
political donations, 415, 418, 420, 427, 439, 443–4, 447–8, 450, 452, 537
Pollak, T. H., 45
Pomian, K., 170
Pomogi.org (Russia), 257
Ponomarenko, A. N., 251
Ponzi schemes, 47
Poor Laws (Ireland), 190, 599
poor relief, 3, 25, 40, 89, 109, 137–8, 141, 155, 162, 170, 211–12, 230–1, 242–3, 249–50, 252, 256–7, 261, 267, 285–6,
290, 313, 348, 355, 426–7, 435, 438–9, 452, 456, 473, 477, 484 n.6, 510, 512, 519–21, 523, 527, 598, 602, 604

Popova, D. O., 251
Popovich, L. D., 251
Portnoi, H., 234
Portugal, 511
postal mail/transfers, 219, 412
Potanin Charitable Fund (Russia), 258
Pot Cake Foundation, 96
Powell, M. J., 190, 598
Powell, W. W., 615
power relations, 321, 520
Prak, M., 211
Prakash, A., 48
Pratten, B., 293
Presbyterian, 206 n.1
Prescribed Private Fund (PPF), 488–9
Priemer, J., 171–2
Priller, E., 171, 185
Prime Minister’s Business and Community Partnership (Australia), 489
Prioux, E., 143
private actors, 4, 523
Private Ancillary Fund (PAF), 488–9, 503
private sector, 14, 65, 97, 289, 296, 308, 340, 348–51, 384 n.1, 427, 476, 525, 539
Prizeman, G., 190
Prochaska, E., 286
Productivity Commission, 489, 491, 552
professionalism and organization of fund-raising
in Australia, 493
in Austria, 106–7
in Bulgaria, 125–6
in Canada, 31–2
in the Caribbean, 94
in China, 359
in Egypt, 311
in Finland, 161–2
in France, 144
in Germany, 176–7
in Hong Kong, 374–5
in Indonesia, 393–4
in Ireland, 195–6
in Israel, 325–6
in Japan, 412–13
in Lebanon, 348–9
in Mexico, 70
in Netherlands, 216–17
in Norway, 238
in Russia, 256–7
in South Korea, 434–5
in Switzerland, 272
in Taiwan, 460–1
in UK, 293–4
in USA, 49–50
in Vietnam, 479–80
see also major donors
professionalism and organization of fund-raising (cross-national comparisons), 581–94, 607–10
collaboration to encourage generic giving, 590
consultants, 585
domestic donor pool, 591
education (management courses), 94, 584, 591–2, 594 n.1
future prospects, 592–4
globalization, 585
global similarities and differences, 581–91, 607–10
government involvement, 584–5
impact of religion, 585–6, 606–7
leadership body, 583
new typology of, 591–2
paid contractors, 585
professional organizations, 582, 591–2
public attitudes, 591
sector bodies, 581–3, 608
seven global mega-trends in, 586–9
training and workshops, 583–4, 591, 592
trust issues, 590
proFonds, 270
Pro Juventute, 109
Prokhorov, M., 258
Proskuryakova, L. N., 250
prosocial behavior, 6, 9, 33, 77, 303, 558–60, 564–6, 618
Prospect23, 190
Protestant philanthropy
  in Australia, 498–502
  in Austria, 105–6, 109, 111–13
  in Bulgaria, 124–5
  in Canada, 25–6, 30–1, 37–40
  in Finland, 155
  in France, 143–4, 148–52
  in Germany, 173, 175–6, 182–4, 563
  in Hong Kong, 374, 384 n.13
  in Indonesia, 392
  in Ireland, 190, 195, 206 n.1, 598
  in Mexico, 79–82
  in Netherlands, 211, 215, 219, 222–6
  in Russia, 255
  in South Korea, 427, 433–4, 439, 441–2, 444, 448, 452
  in Switzerland, 271, 278–9, 281–2
  in Taiwan, 460, 466–9
  in USA, 48–9, 56, 59–61, 559
  in Vietnam, 478
Protestant Reformation, 155
psychological benefit, 5, 555, 559, 564
Public Benefit Institution (Netherlands), 215
Public Interest Corporations, 406–7, 422 n.1
Puerto Rico, 91–2, 94
Purtschert, R., 267, 272
Putnam, R., 128, 558, 560, 564
Puzanov, A. S., 251
Qinghai Autonomous Region, 362
Qiu, Y., 358
Quebec, 25, 29–31
Queensland floods (2011), 498
Queensland University of Technology, 493
radio campaigns, 52, 76, 217, 273, 496, 574
raffles, 294, 376, 493, 580–1
  see also lottery solicitations
Ragin, C. C., 518–19
Raiser, M., 127, 132
raison d’etre, 13
Ranade, B., 559
Randall, A. J., 92
Rastafarianism, 93
rational philanthropy, 327
Rattsoùtvålget, 234
Rauber, K., 269
Raughter, R., 190, 598
Ravi, A., 389–90
Raviv, E., 320
RAY, 159
receipts, donation, 29, 68, 142–3, 174, 185, 213, 288, 523, 575
reciprocal altruism, 488
recurring donation, 214, 217, 458, 460, 493, 574, 609
Red Cross, 3, 75–6, 122, 155, 165, 217, 239–42, 267, 355, 359, 361, 412, 414–16, 418, 420, 437, 484 n.6, 574
Red Cross Finland, 155, 165
Red Cross Society of China, 355, 359, 361
‘Reference Guide on Best Practices for Charitable Fund-Raising Activities’ (Hong Kong), 373
Register of associations, 158–60
Régnier-Loilier, A., 143
regular donations, see monthly/regular donations
regulation
  in Australia, 491
  in Austria, 104–5
  in Bulgaria, 118–19, 124
  in Canada, 29–30
  in the Caribbean, 92–3
  in China, 358
cross-national differences, 17–18, 605–6, 613–14
in Egypt, 310
in Finland, 159–60
in France, 142–3
in Germany, 174–5
in Hong Kong, 372–3
in Indonesia, 389–92
in Ireland, 194
in Israel, 322–3
in Japan, 405–6, 410–11
in Lebanon, 345–6
in Mexico, 68–9
in Netherlands, 215
in Norway, 236–7
in Russia, 254–5
in South Korea, 432–3
in Switzerland, 270–1
in Taiwan, 458–60
in UK, 292
Index 659

in USA, 46–8
in Vietnam, 477–8
REHAB (Ireland), 196
Reich, R., 554
Reisberg, L., 617
religious giving
definition of giving, 304 n.16, 304 n.18
as foundations for philanthropy, 561–3
influence on philanthropy, 558–66, 606–7
and philanthropic giving across countries, 563–4
and prosocial behavior, connections between, 559–60
values and beliefs, impact of, 18–19, 558–60
see also under names of specific countries
Ren Yui (Japanese neighborhood organization), 405
Republic of Korea, 428, 432
reputation, 5, 17–18, 144, 197, 204, 286, 361, 395, 462, 555, 597
Research Institute of Economy, Trade and Industry (RIETI), 422 n.2
Resource Alliance, 94, 583
resource mobilization, 94, 426, 584
response teams, 3
Responsible Business Awards (Bulgaria), 120
Revenue Commissioners, 191, 194
reward, for donors, 91, 291–2, 294, 473
reward point donations, 412
Rihanna, 95
Ringnes, Christian, 238
RNLI (Royal National Lifeboat Institution), 304 n.21
Robbers, G., 173
Robertson, Sir MacPherson, 488
Robles, A. G., 67, 69
Rockefeller, John, 427, 452
Rockefeller Foundation, 355
Rockefeller Philanthropy Advisors, 484 n.14
Rokeach, M., 559
Rokkan, S., 519
Romagnoli, L., 91
Romanova, V. V., 251–2, 264
Romas, 124–5
Rooney, P. M., 52–3, 219, 559
Rosas, A. P., 77
Rose-Ackerman, S., 14, 571
Rosenski, N., 171–2
Rosenthal, J. T., 285, 293
Ross, B., 572, 586–7, 590
Rossel-Cambier, K., 91
Rotary Club, 94, 164, 574
Rothschild, Baron, 317, 326
‘Rounding Off’ campaign, 75
Round-up Israel, 326, 590
Round-up Israel (roundup.org.il), 326, 590
Rowe, W. T., 354
Royal National Lifeboat Institution, 304 n.21, 573
Rozanov, V. V., 249
Rozier, S., 140
RSPCA, 497
Rudich-Cohn, A., 318, 326–7, 335
Rudnik, B. L., 251
Rueschemeyer, D., 64
Ruiter, S., 18, 560, 617
Rumbley, L., 617
Russia
amount donated in, 261–2
charitable causes, 254, 262–3
corporate giving, 253, 257
corporate giving, 253, 257
CSCSNS NRU HSE surveys, 259–63
donations to different charitable sectors, 252, 260
economic crisis, 523, 526
financial advisory professionals, 258
fiscal incentives, 254, 549
foundations, 257
fund-raising practices, 256–7, 260
Gorbachev’s perestroika, 250
government policy, 253–4
government support, 253–4
history of philanthropy, 249–51
incidence of giving, 262–3
individual giving, 253, 261
level of trust, 258–9
major donors in, 257–8
NPOs (nonprofit organizations), 249–59, 262, 264
philanthropy in, 249–65
private donations, 257–8
public social spending, 251–2
regulation in, 254–5
Index

Russia – continued

  religious composition/giving, 255–6, 263
  welfare provision, 251–2
Russian Children's Fund, 257
Russian Orthodox Church, 249, 255–6

SAANED for Development and Philanthropy Advisory, 312
sadaqa (voluntary gifts), 311, 313, 344, 347–8, 393
Sadat, Anwar, 307–8, 313
Safadi, 349
Sainsbury family, 302–3
Saint Vincent de Paul Society, 64–5, 572
Salamon, L. W., 26
Salerno, J. A., 68
sales of products, see fund-raising products
Salomäki, H., 160
Salvation Army, 89, 155, 238, 242, 496, 498
  Christmas Fundraising, 164–5
Samil Accounting Firm, 431
Sami population, 237
Samsung, 426–7
Samsung Investment Company, 436
Sanborn, C., 70
Sánchez, M., 66, 68
sanctions, 392
Sandals Foundation, 95
Sandler, T., 571
Sandy Lane Trust, 96
Sanovich S. V., 249–51
Sargeant, A., 19, 571–2, 575, 578
Sargeant, Adrian, 571
Saroglou, V., 564
Saudi prince, see Al-Waleed Bin Talal
Save the Children, 220, 242, 272, 274, 439
Savings Bank of the Russian Federation, 257

Scaife, W., 488–503, 551, 570–94, 598, 607–8, 612
scandals, 47, 105, 206, 218, 240, 361, 366, 462, 481, 587, 616
Scheinkman, J. A., 471 n.11
Schervish, P. G., 617
Schlanger, A., 318
Schmid, H., 318, 326, 327, 334
Schmitz, M. D., 571
Schneider, H., 101, 108
Schneider, U., 101–2, 108
Schober, C., 100, 104, 106, 108–9, 115, 576
Schober, D., 100
Scholarism (Hong Kong), 385 n.20
Schumacher, B., 267
Schupp, J., 180, 185
Schuyl, T. N. M., 4, 7, 217, 220, 559, 612
Schwartz, S. H., 161, 559
Schwarz, N., 171
scientific research funding, see medical research/services
Scorpio, 272
Scorpio Partnership, 197
Scotiabank, 96
Scott, K., 26
Second Lebanon War (2006), 320
Secours Catholique-Caritas France, 147
secular giving
  definition, 304 n.17, 304 n.19
  see also under names of specific countries
Seghers, V., 145
Seibel, W., 170–1
Selezneva, E. V., 251
self-actualization, 296
self-assessed taxpayers, 192–3, 205–6
self-help organizations (co-operations), 64, 155, 232, 267, 404, 433
self-regulatory system, 18, 46–8, 93, 124, 174, 271, 292, 323, 326, 346, 351, 460, 589, 614
  see also third-party monitoring
Selle, P., 231–4, 511, 519, 599
Senate Finance Committee, 540
Seoul Olympic Games (1988), 426
September 11 attacks, 47
Serious Request campaign, 217, 273, 574
Servicio de Administración Tributaria, 68–70, 550
Seventh Day Adventists, 498
Severance Memorial Hospital (South Korea), 433
shadarim (rabbinical emissaries), 325
Shalev, M., 319
Sharaiha, F., 339, 341–4, 347–9
Sharewood, 161, 590
Sharia, 310
Shariff, A. F., 18
Shatzmiller, M., 307
Sherif, D. H., 307, 348
Sherman, A., 562
shienkin (giving for rescue and relief activities), 414–15
Shier, M., 571
Shimizu, H., 408
Shimon, B., 326–7, 334
Shintoism, 411, 418, 561, 565, 606
Shishkin, S. V., 251
SHKP-Kwoks’ Foundation, 375
Showcase of Fundraising Innovation and Inspiration (www.SOFII.org), 583, 592
Shye, S., 325, 328
Sichuan earthquake (2008), 383
Sidel, M., 475, 480, 602
Silber, I., 316, 326–7, 334
Silicon Valley, 394
Simeon II, 127
Simon, J., 541, 553
Simon, J. G., 47
Simon, K. W., 541
Simsa, R., 100, 173
Sin, Y. -Y., 370
Singer, A., 316, 347–8
single donations, 376, 494
Sivesind, K. H., 230–46, 511, 519, 599, 606
Slovaki, 482, 601
Smiles Card (Vietnam), 480
Smith, B. G., 559, 564
Smith, C., 560
Smith, Derrick, 96
Smith, S. R., 17, 519
smoking, 199
SMS donations, 123–6, 133, 257, 260, 272, 480, 575–6
Smyllie, S., 492, 503
Snyder, M., 560
social benefits, 11, 80, 82, 109–10, 112, 115, 146–7, 149, 151, 220–2, 224, 226
social business, 377, 385 n.21, 536
social democratic nonprofit sector, see classification of nonprofit sector, Salamon-Anheier
social enterprises, 101, 303, 377, 385 n.21, 536, 539
social innovation, 138, 356, 385 n.21
social investment, 90, 327
social media/networks, 18, 157, 412, 463, 480–1, 491, 575–6, 587, 607
social origins theory, 319, 509–27
application to giving in poor and non-democratic countries, 519–27
application to giving in wealthy democratic countries, 511–19
classification of states, 10–11, 510–11
social return on investment (SROI), 69
Social Ventures Hong Kong, 385 n.21, 484 n.14
Social Welfare Department, 372–3, 384 n.7
Society for Fighting Tuberculosis, 118
Socio-economic Panel (SOEP), 180, 185
Sofia University, 126
Sokolowski, S. W., 3, 6, 26, 66, 103, 138, 140, 146, 158, 173, 191, 233, 318, 408, 428–9, 510, 512, 516, 533–4, 542
Soliman, S., 308
Sommerfeld, J., 174, 177, 180–2
Sommerfeld, R., 174, 177, 180–2
Son, W. I., 428, 431–2
Soroptimists, 94, 574
Soros, George, 119
Soros Foundation, 134 n.1
SOS Children’s Village, 109, 126, 239, 242
South Africa, 571
South America, 7, 619
Southern Europe, 511
Index

South Korea

Act on Collection and Use of Donations
2013, 432
amount donated in, 445–8
corporate philanthropy, 426–7, 430–2
domestic charity, 426
economic transformation, 426
financial advisory professionals, 436
fiscal incentives, 430–2, 547
fund-raising practices, 434–5
governmental ministries, 432
government policy, 429–32
government support, 429–30
history of philanthropy, 426–7
honor society membership, 435–6
incidence of giving, 441–5
individual giving, 430–2, 438–40
major donors in, 435–6
missionary work in, 433
mutual aid, 426
national fund-raising campaigns, 436–7
national-level survey, 437–51
NPOs (nonprofit organizations), 426–37, 452, 606
people's participation in charity, 427
philanthropic effort, 448–51
private philanthropy, 430, 435
regulation in, 432–3
religious culture/giving, 427, 433–4, 438–51
role of media, 436–7
secular giving, 433–4, 438–51
volunteerism in, 429, 437
welfare state and welfare society, 427

South Sea Company, 294

Soutter, C. L., 471 n.11
Soviet Union, 164, 524
collapse of, 250, 258
Sow Asia, 385 n.21
Spain, 16, 64, 69, 159, 511
Spears, M., 26
special interest organizations, 268, 493
Spengler, N., 171
sponsor agency, 358
sponsor recruitment, 433, 606
Sri Lanka, 602
St. Kitts and Nevis, 92–3

St. Lucia, 88, 91–2
Stadelmann-Steffen, I., 275–7
Stafford, F. P., 52
stamp duty, 372, 490
Stancioff, Ivan, 127
Standard Chartered Bank, 376
Standing Committee on Finance, 552
standing orders, 195, 578
Stark, R., 559, 564
start-up funds, 377
StataCorp, 200
State Council, 357, 362
State Tretyakov Gallery, 250
Statista, 176
Statistical Yearbook of National Tax, 428
Statistics Bureau, Ministry of Internal Affairs and Communication, 406
Statistics Canada, 26–31, 33–4, 41 n.3, 533
Statistics Korea, 433
Statistik Austria, 101, 105
Statistisk sentralbyrå, 236–7
statist nonprofit sector, see classification of nonprofit sector, Salamon-Anheier
statutory activities, 190, 194, 254, 288–9, 373, 431, 599
Steel, P., 9, 553
Steele, V., 592
Steinberg, R., 52, 458, 553
Stenius, H., 230, 237
Stephens, J. D., 64
Stewart family, 95
Stolle, D., 128
Stolz, J., 271
St Paul (biblical figure), 573
Strauss, J., 396
street donations, 70, 75, 94, 144, 161, 164–6, 238, 242, 293, 374–6, 385
nn.15–16, 412, 493, 573, 575
Stromme Foundation (Norway), 242
structural adjustment policy, 308
subsidies, see government support
Suchilin, A., 255
Suharto, 388–90, 393, 525, 535
Sulek, M., 140
Sullivan, D. J., 308
The Sunday Times, 196, 295
Sunday Times Rich List Giving Index (STRLGI), 295, 297, 303 n.10
‘super league’ of charities, 587
Supreme Council of the Armed Forces (SCAF; Egypt), 309, 313
Surabaya, 394
Suryaningati, A., 390, 392
sustainable investment strategies, 178
sustainable or charity gifts, 576
Svatková, K., 18
Sweden, 11, 16, 155–6, 163, 234, 510
Swiss Agency for Development and Cooperation, 134 n.1
Swiss Benevolent Society, 267
Swiss Evangelical Alliance, 271
SwissFundraising, 272
Swiss GAAP FER 21, 271
Swiss Solidarity, 273–4, 276
Switzerland
amount donated in, 280–1
charitable causes, 276–7
Confederation, 267, 271
conflicts/natural disasters, 273–4
donations to different charitable sectors, 517
economic prosperity, 268
financial advisory professionals, 273
financial incentives, 269–70, 548
foreign funding, 119
‘Freiwilligenmonitor’ study, 275–81
fund-raising code of conduct, 272
fund-raising practices, 272
global initiatives, 274
government policy, 269–70
government spending, 268–9
government support, 269
history of philanthropy, 267–8
incidence of giving, 278–80
individual giving, 278
international organizations in, 272, 274
major donors in, 272–3
national fund-raising campaigns, 273–4
nonprofit sector, 268–71
philanthropy in, 267–83
private-public partnerships, 274
regulation in, 270–1
religious composition/giving, 271–2, 278–81
secular giving, 278–81
SRG SSR fund-raising campaign, 273–4
ZEWO seal, 271
synagogues, 52, 317
Synergy Social Ventures, 484 n.14
Szper, R., 48
Tahir, 394
Tahrir Square protest, 312
Taiwan
amount donated in, 468–9
charitable sectors, 456, 460–1, 463–9
Charity Fundraising Act, 461
civil organizations, 462
classification of nonprofits, 456, 458, 460
disaster relief, 456, 460
donations to different charitable sectors, 465, 517
Estate Tax Law, 457
fake charity scandals, 462
financial advisory professionals, 461–2
fiscal incentives, 457–8, 548
fund-raising practices, 460–1
government policy, 457–8
government support, 457
history of philanthropy, 455–6
incidence of giving, 466–8
international organizations, aid by, 455
lottery spending, 462
major donors in, 461
media coverage of fund-raising corruption, 461–2
national-level surveys, 460, 463–9
natural disasters, 456, 460, 470nn.1–2
nonprofit sector, 456–60
philanthropy in, 455–71
private donations, 457
public spending on social welfare, 456–7
regulation in, 458–60
religious composition/giving, 460, 463–9
repeal of martial law, impact of, 455, 462
secular giving, 463–9
Taiwan NPO Self-Regulation Alliance, 471 n.8
Tandon, A., 586
Taoism, 358, 366, 374, 384 n.13, 460, 467–8, 478, 561, 565, 606
Tapia, A. M., 67–9
Tax, A., 19
Tax Administration Service (Mexico), 68–9

tax system
  in Australia, 490–1, 543, 552
  in Austria, 103–4, 543
  in Bulgaria, 123–4, 543
  in Canada, 28–9, 32–3, 544, 552
  in the Caribbean, 92, 98 n.2
  in China, 357–8, 544
  in Egypt, 309–10, 544
  facilitating/influencing factors, 17,
    540–55, 604–5, 614
  in Finland, 159, 545
  in France, 141–2, 545
  in Germany, 173–4, 549
  in Hong Kong, 372, 549
  in Indonesia, 391, 545
  in Ireland, 192–3, 546, 552
  in Israel, 322, 546
  in Japan, 408–10, 546
  in Lebanon, 343–5, 547
  in Mexico, 67–8, 547
  in Netherlands, 213–14, 549
  in Norway, 235–6, 549
  in Russia, 254, 549
  in South Korea, 430–2, 547
  in Switzerland, 269–70, 548
  in Taiwan, 457–8, 548
  in UK, 290–1, 540, 548, 554
  in USA, 46, 540, 548
  in Vietnam, 476–7, 548

Taylor, J., 296
Taylor-Gooby, P., 287
Tchernonog, V., 137, 139–41

technology
  association, 474, 477
  cost-efficient outreach, 575–6
  fund-raising, 591
  future research, 574
  new, 120, 574–6, 587, 590, 593
  see also online donations; SMS
    donations; social media/networks

Tedham, A., 585–6
Tel Aviv Museum, 327
telemarketing, 238, 575
telephone pledges, 75, 394, 589
telethons, 52, 75–6, 107, 126, 144, 146,
  239, 273, 427, 452, 480, 496, 574
Teletón, 75
Teletón Children Rehabilitation Centers, 75
Televisa, 75
Telias, M., 316, 319
Tempel, M., 573
Teo, H., 492, 496
Terán, M., 66, 68
Teunissen, O., 68
Thaler, R. H., 554
theft, 47
third-party monitoring, 18, 47–8, 105,
  142, 174, 215, 359, 482, 609–10, 614
  see also self-regulatory system
30-Hour Famine campaign, 144, 460, 471
  n.5
Thomas, D., 389
Thomas, G. M., 524
Thomson, S., 252
Thorndike, J. J., 540
Thornton, J., 571
Three Kings Campaign, 110
Tiebout, C. M., 14
Tikhonovich, L., 255
Tishinova, G. A., 251
tithes, 89, 311, 313, 348, 572
Titian Foundation (Indonesia), 395, 600
TNS-Gallup, 240
TNS Infratest, 178–80
TNS Sofres, 145
Tobin, G. A., 280, 324, 561
Tocqueville, A., 44, 435
Tocqueville Society, 435
toiepler, S., 318, 140, 212, 309, 551
tourism, 90, 96, 118, 477, 484 n.10
tournaments, 32, 94, 96, 413
Toole, J. A., 92–3
trade associations, 268, 386 n.27
trade unions, 89, 118, 319, 456
transparency, 17, 26, 69, 83, 93, 108, 127,
  134 n.3, 174, 176–7, 205, 257, 312,
  321, 323, 372–3, 375, 383, 390–1, 401,
  462, 470, 480, 482–3, 491, 502–3, 589,
  605, 608, 610, 612–13
Transparency International Germany, 177
Transplant Fund (Bulgaria), 123
unconditional donation, 34, 36, 41 n.6, 54, 200, 226 n.2, 246 n.2, 299, 303 n.11
Uniats, 255
Union for the Protection of Children, 118
Union of Bulgarian Cyclists, 118
unions, 36, 67, 89, 144, 156, 268, 275, 287, 319, 369, 386 n.27, 405, 407, 415–16, 418, 420, 430, 456, 474, 477, 484 n.6, 496–7, 499, 501, 522, 524
United Kingdom
amount donated in, 300–2
attitudes to wealth, 297
charitable causes, 285–6, 291, 298–9
Charitable Uses Act of 1601, 285–6
Charities Acts, 286, 292, 427
Charities and Trustee Investment (Scotland) Act of 2005, 286
donations to different charitable sectors, 299
‘donor fatigue,’ 287
economic crisis (2008–2009), impact of, 291, 297
enhanced visibility of charities, 291–2
financial advisory professionals, 296–7
fund-raising codes of conduct, 18, 293
fund-raising practices, 293–4
government funding, 289–90
government policy, 289–92
history of philanthropy, 285–7
incidence of giving, 300
individual giving, 288, 299
Industrial Revolution (1750–1850), 286
Jewish donors from, 326
key motivations of major donors, 296
Liberal social reforms of 1905–1914, 286–7
major donors in, 294–6
media coverage of philanthropy, 297–8
media reporting, 287–8
National Lottery, 291
nonprofit sector, 11, 287–92
overseas charities/causes, 292, 299
philanthropy in, 285–304
Poor Relief Act of 1601, 285–6
private–public partnerships, 287
public social expenditure, 287, 291
United Kingdom – continued
registered charities, 287–8
regulation in, 292
religious composition/giving, 285, 292–3, 300–2
secular giving, 293, 300–2
state welfare provision, 286–7
tax concessions, 290–1, 540, 548, 554
UK Giving survey, 298–302
volunteerism in, 293
United Nations Development Program (UNDP), 90, 92, 119, 341, 344–7, 349–51
United States
amount donated in, 58–60
conditional donation, 54
donations to different sectors, 517
Federal Trade Commission, 47
financial advisory professionals, 51–2
fiscal incentives, 46, 540, 548
foreign funding by, 119
foundation giving, 49
fund-raising practices, 49–50
government support, 46
history of philanthropy, 44–5
incidence of giving, 54–8
Internal Revenue Service (IRS), 45–7
Jewish donors from, 326–8
major donors in, 50–1
nonprofit sector, 11, 45–8
Patriot Act (2001), 47
philanthropy in, 44–61
planned giving, 49
PPS/PSID survey, 52–60
public social spending, 45
regulation in, 46–8
religious composition/giving, 19, 48–9, 61
tax benefits, 9, 49, 51
Tocqueville Society program, 435
tsunami relief giving, 53
umbrella organizations, 47–8
United States International Grantmaking (USIG), 67, 476
United Way Centraide, 26, 31
United Way International, 94, 579, 594 n.4
United Way of America, 49, 52, 376, 435
United Way of Taiwan, 461
United Way WorldWide, 579
Uniting Church, 498
university endowments, 257
university giving, 126, 159, 238, 394, 413
University of Hong Kong, 385 n.22
University of Indiana, 594 n.1
University of Pennsylvania, 615
University of the West Indies, 91, 94–5, 584
University of Tromsø, 238
USAID (United States Agency for International Development), 92, 119–25, 128, 132, 134 n.2, 344
ushur (tithe), 311, 313
Uslaner, E., 128
US Virgin Islands, 91–2
Vaarama, M., 157
Vaisto, H., 159, 161
Valero, A., 64
Valev, N. T., 118–34, 524, 600
Valkov, N., 118
value added tax (VAT), 123–4, 236–7, 476–7, 606
values-based investment, 88, 376–7, 536
Van Leeuwen, M. H. D., 211–21
Van Rooy, A., 340
Vargas Llosa, M., 65
Vatican, 572
VCCI, 476
Veblen, T., 297
Vecchi, Sesto, 474
Veikkaus, 159
venture philanthropy, 273, 377, 385 n.21, 536, 539
Verduzco, G., 65, 67
veteran organizations, 118, 164–5, 434–5
VFI, 216–18, 577, 612
Victoria (Australia), 488–9
Victorian Bushfires (2009), 498
Victorian Charity Organization Society, 292
Victorian era, 488
Vienna Association for Animal Protection, 109–10
Vieregg, H. K., 170
Vietnam
civil society organizations, 475–6
compulsory giving, 484 n.12
corporate giving, 473–4
corporate social responsibility, 473
diaspora giving, 482
disaster relief, 473, 477, 479–80, 484 n.6
Doi moi policy, 473
domestic giving, 474, 480
economic and social development, 482
faith-based activities, 479
financial advisory professionals, 481
fiscal incentives, 476–7, 548
foreign investment, 473
fund-raising practices, 478–80
history of philanthropy, 473–4
HNWI (high net worth individuals) in, 480
INGOs (international NGOs), 474–7, 483 n.2
investment in NPOs, 482
major donors in, 480
mass organizations, 473–5, 480
NPOs (nonprofit organizations), 474–83, 484 n.6
overseas development aid (ODA) to, 475, 480, 484 n.13
philanthropy in, 473–84
public social expenditures, 474
regulation in, 477–8
religious composition/giving, 478–9
role of media, 473–4, 480–1
state–civil society relationship, 475
sustainability standards, 473
tax laws, 476–7, 483 nn.4–5
volunteerism in, 479, 481–2
Vietnamnet Bridge, 484 n.13
VIP Big Brother (TV show, Bulgaria), 126
Virgin Islands, 91–5
Virgin of Guadalupe, 70, 75
virtual services, 161
V & M Service GmbH, 172
Vodarek, L., 32, 574
Volnoye Delo Fund (Russia), 258
Voluntary Sector Initiative (VSI), 33
Voluntas, 51
volunteering, 6, 18–19, 553, 558–60, 564, 573–4, 577, 581, 586, 590–1, 608, 615, 618
in Australia, 489, 492, 495
in Austria, 102
in Bulgaria, 121, 125–6, 128
in Canada, 26, 30, 32, 36
in the Caribbean, 90, 94–6
in China, 537
in Egypt, 313–14
in Finland, 157, 161, 164–5
in France, 139
in Germany, 172, 180
in Hong Kong, 371, 378, 380, 382, 384 n.5, 386 n.26
in Indonesia, 388–9, 394–5
in Ireland, 199, 204
in Israel, 318–20, 328, 537
in Japan, 412, 415
in Lebanon, 340–1, 345, 348–9
in Mexico, 64, 76
in Netherlands, 219
in Norway, 231–4, 237, 239–40, 242, 246, 538
in Russia, 253, 264
in South Korea, 428–9, 433–4, 437–8, 441, 445, 452
in Switzerland, 268
in Taiwan, 456, 463
in UK, 293, 303 n.9
in Vietnam, 479, 481–2, 483 n.1
Volunteer Survey (Germany), 180
von Hippel, T., 174–5, 589
von Schnurbein, G., 267–83, 599, 612
Vos, G., 216
VTV4, 478
VUFO-NGO Resource Centre Vietnam, 477, 483 n.2
Vuong, D., 482, 601
VU University (Amsterdam), 145, 219
Wagner, A., 340
Wagner, G. G., 180–1
Wagner, R., 277
Wahlroos, Björn, 163
Wahlroos, Saara, 163
Wallace, C., 127
Wang, L., 128
Wang, S. T., 462
Wang Zhenyao, 357
*waqf* (charitable endowments), 307–8, 316, 344, 347–8, 393
Ward, Charles Sumner, 573
Ward, R., 492, 496
‘warm glow,’ 5
water-related projects, 165, 273, 396, 470n.2, 474
Wattie, A. M., 396
wealth
accumulation, 71, 143–4, 150, 349
attitudes toward, 297–8, 327
Catholic dogma, 143–4
inequalities, 61, 71, 96, 251, 516, 536
inheritance of, 435, 452
private concentrations of, 44
public displays of, 95, 574
redistribution of, 61, 144, 246, 348, 391, 536, 561
wealth management, 96, 145, 178, 217, 296, 436, 481
Webb, C., 296
websites, 30, 47, 69–71, 83, 96, 127, 134 n.3, 174, 178, 180, 240, 296, 480, 576, 583, 594 n.4
Webson, W. A., 89, 91
Weinberg, A. K., 561
Weisbrod, B., 13–14, 571
Weitzman, M. S., 558
welfare organizations, 109, 159, 171, 173, 343, 561
‘welfare partnership model,’ 27
welfare state regimes, types of, 10–11, 510–11
Wellcome, Henry, 302
Wellcome Trust, 302
Wells, R. A., 25
Wenchuan Earthquake (2008), 359–60, 525
Western culture, 347, 523
Western Europe, 159, 333–4, 510, 519–20, 523, 563
voluntary sector income, 232–3
‘welfare partnership model,’ 27
Western Zhou period (1046–771 BCE), 354
Wex, T., 171
White, R., 492, 496
Wijs, S. D., 612
Wiktorowicz, Q., 309
Wilding, K., 285–304
Wilhelm, M. O., 44–61, 559, 610–11
Williamson, A., 488–503, 598
Wilson, J., 558, 564
Wilson, S., 575
Winchester, 285
Wineburg, R. J., 18
Wing, K. T., 45–6
WiseGiving (Hong Kong), 375, 589
WISE Philanthropy Advisors (Vietnam), 481
Witoelar, E., 396
Wollebæk, D., 233, 240, 246
women’s organizations, 89, 118, 121, 155, 180, 211, 230, 241, 280, 329, 335 n.3, 341, 369–70, 396, 398, 400
Women’s Union (Vietnam), 474, 484 n.6
Wong, H., 384 n.2
workplace philanthropy, see payroll giving
Workshop for Civic Initiatives Foundation (WCIF; Bulgaria), 124
World Bank, 474
The World Bank, 72, 474, 484 n.11
World Congress of Muslim Philanthropists, 312
World Giving Index, 90, 157, 199, 204, 371, 492, 535
World Trade Organization, 473
World Values Survey, 70, 124, 310, 411
World Vision, 110, 164, 272, 274, 426, 439
30-Hour Famine campaign, 460, 471 n.5
World War I, 44, 138, 338–9
World War II, 44–5, 100, 141, 143, 156, 268, 433, 489, 522
World Wealth Report, 71
World Wildlife Fund (WWF), 109, 164, 221, 385 n.15
Wu, J., 358
Wu, S., 609
Wu, S. Y., 462
Wyatt, Dr. William, 488
Wyatt Benevolent Institution, 488
Wymer, W., 490, 571
Xiaoping, Z., 354–67
Xinsong, W., 354–67, 599
Xiulan, Z., 354–67

Yaacobi, M., 320
Yaari, A., 325
Yamauchi, N., 404–22, 559
Yasin, E. G., 251

yearly donations, 76, 193, 197, 200, 299, 311, 327, 330, 332, 360, 439, 460–1, 561

see also zakat contribution

Yerkes, S. E., 309–10
Yeung, A. B., 558–9, 563, 566
Yi Dynasty, 433
YKVN & LIN, 478–9
Yle Uutiset or Yle News, 158
YMCA programs, 573
Yoge, H., 320
Yoge-Keren, H., 328
Yoonkyung Auh, E., 426–53, 606
Yordanova, Z., 123
Young, D. R., 18
Youth Union (Vietnam), 474

Yuan, R., 355

Yugoslavia, 101, 107
Yukon, 29, 31
Yushu Earthquake (2010), 362

Za (Japanese neighborhood organization), 405
zakat contribution, 311, 313, 323, 344, 347–8, 391, 393–4, 545, 561, 586
Zech, C. E., 558
Zeidan, E., 325
Zeng, G., 354–5
ZEWO Foundation, 271–2, 276, 582, 585
Zewo Statistik, 276
Zheng, Y., 356, 358, 360
Zhou, Q., 354–5, 358
Zhu, J., 356
Zhukov, I., 250
Zimmer, A., 171–3
Zöbeli, D., 271
Zrinsčak, S., 558–9
Zuckerman, P., 617
Zurich, 270–1