

# 34

## The Practice of Philanthropy: The Facilitating Factors from a Cross-National Perspective

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### 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'

(Xinsong et al., this volume, p. 355). 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.

(Osili & 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 be 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.<sup>1</sup> 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

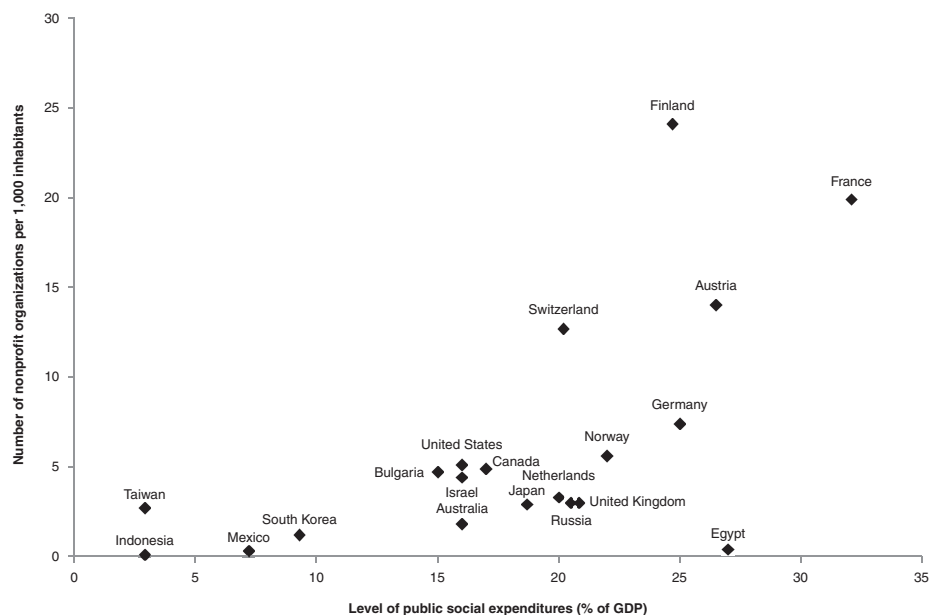


Figure 34.1 The level of public social spending (OECD, 2007) and the number of nonprofit organizations per 1,000 inhabitants (this volume, Chapters 3–5, 7–11, 14–19, 23–26, 28) (N = 19)

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).

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<sup>2</sup> 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)

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 restructuring (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 fund-raising 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

Country	Cost ratio
Austria	Formal regulation (voluntary complying): 10% (administration costs)
Germany	Formal regulation (voluntary complying): 10% (costs)
Netherlands	Voluntary (third-party monitoring): 25% (fund-raising)
South Korea	Formal regulation (obligatory complying): 10% (fund-raising and overhead costs)
Taiwan	Formal regulation (obligatory complying): 30% (anything but operating expenditures); 15% (fund-raising)
United States	Voluntary (third-party monitoring), Charity Navigator: 30% (administrative and management expenses); 25% (fund-raising) Voluntary (third-party monitoring), Better Business Bureau: 35% (administrative and management expenses); and 35% (fund-raising)

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 proceedings 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.<sup>3</sup> 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

4. Fiscal incentives
5. The state of the nonprofit sector
6. Political and economic stability or growth
7. Population changes
8. International giving

### 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 continue: ‘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 donations 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 organizations 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 transparent, 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 information 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, Schuyt, 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 misuse 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 non-profit 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 non-profit 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.

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