



Paper 10

# Tools for Good: A Guide to Vehicles for Philanthropy and Charitable Giving

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*FULL VERSION*

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## ABOUT THE PROJECT

The foundation sector grows at a considerable pace and is about to entail significant changes in the three-way relationship of private wealth, public policy and non profit action. To cope with the challenges arising from these transformations the International Network on Strategic Philanthropy (INSP) was established in spring 2001. With the underlying assumption that strategic philanthropy is more effective philanthropy, the network has striven to professionalize foundation management, convene the excellent minds of the sector, clarify the guiding values behind foundation activities, and contribute to capacity building in the field. The 68 members of the INSP are representatives of foundations and support organizations, consultants and researchers from the US, Europe and other countries of the world that operate along the lines of strategic philanthropy.

The network now presents a number of high-quality papers on a range of important subjects regarding strategic philanthropy. These include topics such as the role of philanthropy in globalization, new innovative instruments for philanthropy, promoting philanthropy, the role of evaluation in foundations and effective board management. The papers are available for free download at the INSP's Web site at [www.insp.efc.be](http://www.insp.efc.be).

INSP is an initiative of the Bertelsmann Stiftung in collaboration with Atlantic Philanthropies, the Charles Stewart Mott Foundation, the Compagnia di San Paolo, the Ford Foundation, the German Marshall Fund of the United States, and the King Baudouin Foundation. Along with the Bertelsmann Stiftung, three institutions – The Philanthropic Initiative, Inc., The Hauser Center for Nonprofit Organizations at Harvard University, and The Center for Civil Society at the University of California Los Angeles – help to coordinate the work of approximately 70 network members.

The INSP working groups are advised and coordinated by representatives of leading academic and consulting institutions:

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## ABOUT THE BERTELSMANN FOUNDATION

The Bertelsmann Foundation is Germany's largest foundation established by a private donor. In keeping with the longstanding social commitment of its founder, Reinhard Mohn, the Bertelsmann Stiftung is dedicated to serving the common good by encouraging social change and contributing to society's long-term viability. To achieve this, it maintains an ongoing dialog with all of society's stakeholders. The belief that competition and civic involvement form an essential basis for social progress is central to the foundation's work. In order to apply its expertise as effectively as possible, the Bertelsmann Stiftung is structured according to subject areas. The foundation's 280 employees focus on Education, Health, Economics and Social Affairs, International Relations, Corporate Culture and Promoting Philanthropy.

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## INTRODUCTION

The International Network for Strategic Planning (INSP) provides a forum for dialogue and critical thinking on the role of philanthropy and its impact on societies around the world. Operating as a decentralized think tank, INSP gathers, builds, and disseminates knowledge about effective philanthropy and develops new tools and resources to professionalize and improve its practice around the world. Ultimately, INSP hopes to promote greater giving, more strategically engaged.

The Bertelsmann Foundation is the principal sponsor of INSP, with additional support provided by the Charles Stewart Mott Foundation, Atlantic Philanthropies, the Compagnia di San Pulo, the Ford Foundation, the German Marshall Fund of the United States, and the King Baudouin Foundation. Along with the Bertelsmann Foundation, three institutions – The Philanthropic Initiative, Inc. The Hauser Center for Nonprofit Organizations, and The Center for Civil Society at University of California Los Angeles – help to coordinate the work of approximately 70 network members, who come together in small working groups to explore various issues.

One output of the INSP network is the development and publication of a series of monographs on key issues in global philanthropy. Separately, the monographs provide introspection and analysis into critical aspects of the foundation sector. Together, they provide a valuable roadmap to improved global philanthropy.

The purpose of this paper is to explore and illuminate the range of vehicles through which charitable giving and philanthropy are practiced today on the global stage. Over the past several decades, philanthropy has witnessed the emergence of a number of giving vehicles, some with roots in conventional models of philanthropy, others that introduce entirely new elements into charitable giving. The direct gift, while still king in most countries, is increasingly complemented by a rich range of other vehicles for giving, e.g., donor advised funds, private foundations, and giving circles. All are a response to donors' desire to find the method that fits their goals and personal style, and to maximize philanthropic impact.

Throughout this paper, the authors' intent is neither to endorse nor indict any particular vehicle for charitable giving. Rather, the intent is to provide a fair and unbiased view of those vehicles that exist today, with the objective of promoting public understanding and their potential adaptation in countries and regions in which they are less well known.

The paper is structured in a straightforward format, treating each giving vehicle as briefly as possible with examples provided to illustrate practical applications. Included in the discussion of each mechanism is an overview of its fundamental characteristics, its regional uses and variations, constraints and other considerations affecting broader global applications and additional information resources.

## THE PHILANTHROPIC LANDSCAPE

Before embarking on a discussion of various giving vehicles and their potential global applications, it is important to note briefly the context in which global philanthropy is evolving today.

The strong economies that many Western nations have enjoyed over the last decade or so, combined with the early stages of the intergenerational transfer of wealth, have created unprecedented growth in personal fortunes in the West. Shifts in the boundaries and balance between the state, the market, and civil society have led to significant increases in the size, scope and importance of the nonprofit sector and placed increased importance on philanthropy. The practice of philanthropy itself has evolved significantly in the last ten years, as donors' engagement with and expectations for their social investments have increased.

Indeed, the past decade has witnessed a notable increase in both supply – total philanthropic resources available – and demand in the nonprofit sector, as evidenced by the growth of “civil society” during that time. Equally important, perhaps, has been the evolution of donor goals, methods and strategies, as donors begin to investigate new methods and models for giving. The philanthropic landscape is changing, and new practices and approaches are emerging to increase philanthropy's impact. Optimistically, philanthropy is poised to play an increasingly significant and strategic role in addressing global challenges.

### **Increased Supply: Unprecedented Global Wealth Creation**

Over the past three decades, the growth of personal wealth worldwide has been staggering, albeit highly concentrated. Despite the economic malaise of the past few years, global wealth continues to grow, although at slower rates.<sup>1</sup> Global economic integration has fuelled wealth creation in most regions of the world. The success of a panoply of “new economy” technological and financial enterprises has generated large fortunes, particularly in the United States. Oil revenues have created vast amounts of wealth in the Middle East, and increasingly, fortunes are being amassed in Russia and Eastern Europe, often from the transfer of state-owned enterprises to private control. The world was recently home to over 470 billionaires and seven million millionaires, distributed around the globe, as reported by “Forbes” magazine -- North America (237), Europe (175), Asia (55), Latin America (20), and the Middle East (15).<sup>2</sup> A separate study of millionaires indicates that 2.5 million of these high-net-worth individuals reside in Europe, 2 million in the United States, and 1.7 million in Asia.

<sup>1</sup> As reported by Cap Gemini, Ernest and Young in “World Wealth Report 2002,” both the number of millionaires and their financial asset wealth grew by three percent in 2001.

<sup>2</sup> Forbes, [www.Forbes.com/worldsrichest](http://www.Forbes.com/worldsrichest).

Coupled with the creation of “new wealth” is the enormous intergenerational transfer of inherited or “mature wealth.” Inherited wealth is already highly significant in Europe where it is estimated that 37 percent of the 400 richest Europeans ascribe their wealth to inheritance (compared to 21 percent in the United States).<sup>3</sup> Over the next half century, the global impact will be multiplied, as unprecedented quantities of assets change generational hands. Even given the economic downturn of the past several years, the intergenerational transfer is estimated to be between \$41 trillion and \$136 trillion in the United States.<sup>4</sup> In Germany it is estimated that \$300 billion will be transferred from one generation to the next in just the next ten years.<sup>5</sup>

Although reliable data is limited, it appears that the increase in wealth has resulted in significant increases in philanthropic capital. In the United States, philanthropic investment has increased 52 percent in the past five years.<sup>6</sup> In Germany, over 800 new foundations have been established each year for the last three years. In several other European countries, including Italy, Spain and Portugal, there has been a rapid growth in the number of foundations in the last three decades (in Portugal, over 50% of foundations were established after 1980; in Spain almost 90% of cultural foundations and 70% of educational foundations were established after 1980). Moreover, countries throughout the world have begun to create more favorable legal and tax environments to stimulate further giving.

#### **Increased Demand: Growth of the Global Nonprofit Sector**

The global nonprofit sector has experienced tremendous growth over the last 20 years, fuelled by forces both within and outside the sector. While the size, scale, and scope of the nonprofit world differ greatly from country to country, growth is occurring almost everywhere. In 22 countries studied by Johns Hopkins University, the international nonprofit sector grew dramatically between 1990-1995, witnessing 23 percent employment growth, compared to six percent employment growth in these countries’ economies as a whole.<sup>7</sup> Were this sector its own economy, it would rank as the eighth largest in the world.<sup>8</sup>

Key influences on the sector’s growth and character also differ significantly from place to place. In many nations, political reform and changes in government policy have encouraged (or at least allowed) individual philanthropic behavior and resulted in the rapid growth of nonprofit activity. The collapse of communism in Russia, Eastern Europe and the Balkans opened the door for previously suppressed voluntary organization and association. In Africa and Latin America, cutbacks in the public sector led to the development of non-governmental organizations (NGOs) to provide basic

<sup>3</sup> Merrill Lynch and Cap Gemini Ernst & Young, “World Wealth Report 2002.”

<sup>4</sup> Havens, John J. and Paul Schervish, *Why the \$41 Trillion Wealth Transfer is Still Valid: A Review of Challenges and Questions*, The Journal of Gift Planning. 7(2003): 11-15, 47-50.

<sup>5</sup> *Perspectives*, Winter 2001, The Conservation Company.

<sup>6</sup> *Giving USA*, AAFRC Trust for Philanthropy

<sup>7</sup> Salamon, Lester M. et al. *Global Civil Society: Dimensions of the Nonprofit Sector*, 1999., p. 8-15.

<sup>8</sup> *Ibid.*

services. In Asia, new laws and governments created a more receptive environment for the establishment of NGOs.

Internal (domestic) changes have been met, supported, and at times overshadowed by external (international) forces in many regions. Global economic and cultural integration and the rapid development of communications technology have spread the concepts and practice of civil society quickly and widely. More systematically, international monetary and technical aid has profoundly influenced the development of the nonprofit sector.

With the surge in growth, civil society has taken on new roles, responsibilities, and challenges. In some regions, civil society organizations are providing direct services previously provided by the state, such as education and health services. Increasingly, they also assume advocacy and watchdog functions. In other regions, often those where civil society activity is still largely governed by the state, NGOs continue to provide primarily cultural and recreational activity and support.

### **Emerging Trends in Philanthropy**

Over the last decade, trends in the supply of global wealth and the demand of global civil society have resulted in dynamic developments in the philanthropic sector. Record levels of philanthropic investment can be documented. At the same time, new forms of and vehicles for philanthropic investment have emerged in response to donors' changing and diverse philanthropic goals. Many of these new giving mechanisms are a response to much broader philanthropic trends, for example:

#### ***High-engagement philanthropy***

High-engagement grantmaking refers to donors' efforts to become more actively involved in the work of their grantees. High-engagement grantmakers work closely with grantees, often offering pro bono technical and other assistance, and becoming involved at the programmatic as well as the evaluation stages. The trend toward higher-engagement grantmaking is both the product and progenitor of an interest in "venture philanthropy," which has imported to philanthropy practices and principles borrowed from the venture capital industry.

Donor collaboration and interaction. Many donors seek an opportunity to interact with fellow donors to share ideas, learning, and best practices. Vehicles, such as community foundations and giving circles accommodate such interests.

#### ***Collaborative funding***

Individual donors increasingly seek to leverage the impact of their individual giving by creating partnerships with other donors with similar philanthropic interests and approaches. In response, vehicles such as giving circles – in which donors pool charitable assets and then make collective giving decisions – have rapidly increased in popularity.

### *Professional support*

Increasingly, donors seek the input and support of professionals in order to maximize philanthropic impact. In the last 20 years advisory services have appeared in several countries including the United States, United Kingdom, South Africa, and Brazil. Community foundations and regional associations of grantmakers may also offer such services.

### *Family philanthropy*

In the United States, family philanthropy is possibly the fastest growing segment in the sector. Private foundations – the great majority of which are family foundations – are being created at a rapid clip, perhaps as many as 1,000 a year, according to the Association of Small Foundations. Much of this parallels and is an attempt to harness and channel appropriately the intergenerational transfer of wealth. It is sure to have parallels in other robust economies where private capital has grown rapidly in recent decades.

Many of these trends are reflected in the giving vehicles discussed in the following pages.

## **THE PROCESS OF GIVING**

### **On the Threshold of Giving**

The choice of a vehicle for giving is – or should be – one that is preceded by numerous, important, upstream decisions. Long before a donor has decided that a community foundation, for instance, is the appropriate mechanism for giving life to her philanthropic goals, she will have asked herself about her passions, her goals, her giving style, and a number of other important threshold issues. These bear brief mention here, if only to put in context the selection of appropriate mechanisms for giving,

### *Passions and Values*

Many donors begin their philanthropic journey with an examination of their deepest personal interests and social concerns. The donor might ask herself, for instance: What are the issues that I care most about in my search to make society a better place? What are those personal and/or family values to which I want to give life in my giving?

The answers to such questions have much to say about the appropriate vehicle for that donor. A donor who is passionate about supporting her community in a range of ways, one who deeply values her family's history of community charity, would probably be best served by a community foundation as her vehicle. Alternatively, a donor who is passionate about preserving first-growth forests, say, and who values professionalism and wishes to be deeply engaged with professional colleagues, might wish to join or form a giving circle focused on the environment.

### *Goals and Giving Style*

What are the donor's goals? Short-term impact around multiple issues? If so, direct gifts or a donor advised fund might be appropriate. On the other hand, for the donor who seeks to create truly systemic change in a single issue area, a private foundation or a multi-generation supporting organization could be the better choice.

Similarly, the donor's giving style can have a major impact on her choice of vehicles. The collaborative donor, for instance, could do well with a giving circle, or as part of a community foundation with a collaborative culture. The "venture philanthropist" interested in metrics and measurement, on the other hand, might do better with a more independent vehicle – a private foundation, supported by professional staff with an expertise in quantitative evaluation.

### **Other threshold considerations may include:**

What vehicles are available to the donor? The answer varies of course from country to country. While the direct gift is common throughout the world, the extent to which other philanthropic vehicles are available varies widely by country and region.

How involved with his/her grantee(s) does a donor wish to be? Many donors prefer simply to provide a monetary gift with minimal or one-time involvement with the donee. Indeed, some donors chose to remain anonymous in their grantmaking. However, as mentioned elsewhere in this paper, high-engagement philanthropy has become increasingly popular in recent years, and for practitioners of that style, intensive and long-term involvement in grantee organizations can be the preferred idiom.

Perpetuity v. spend-out? This is a question that has divided donors since the beginning of organized philanthropy. In the United States, one of the great first proponents of "perpetuity" was Andrew Carnegie, who, believing that society would always be faced with new and difficult challenges, created a perpetual endowment to anticipate the problems and needs of the future. On the "spend-down" side of the debate was Julius Rosenwald, an early chairman of Sears Roebuck, who felt that the needs of the present were paramount, and thus programmed his foundation for extinction within a period of years after his death. (Today, he might have done better with a donor advised fund or a community foundation.)

Does the donor wish to leverage his/her giving through the involvement of other donors? Donors may wish to pool their charitable gifts with other donors to enhance the impact of their giving. Where this is the case, the giving circle has become a popular way for donors to leverage their gifts, while at the same time networking with peers and educating themselves about giving opportunities and strategies. Grantmaking in the company of one's peers also allows donors to leverage not only the amount of their giving, but also the intellectual capital behind it.

What are the transaction costs? Costs associated with various vehicles will vary greatly from country to country. In general, it can be expensive to create and maintain a private foundation.

Other vehicles – e.g., community foundations – are often cheaper. Community foundations save the donor the cost of start-up, as well as annual accounting fees. In many countries, donors who utilize community foundations typically pay an annual administration fee, and often a small money management fee. Such combined fees can typically range from 1.25 - 2.00% of assets, a small amount compared to the cost of maintaining a private foundation.

Tax implications? Tax incentives available to donors in exchange for charitable donations vary significantly from country to country. Donors wishing to receive a full or partial tax deduction for their gifts should familiarize themselves with the tax laws and regulations that govern charitable giving in their jurisdiction, keeping in mind that the choice of giving vehicle can have a significant impact on the tax treatment of the gift.

## CHOOSING A GIVING MECHANISM

### Direct Gifts

With the possible exception of volunteering – which represents a gift of one’s time, energy, and/or intellectual capital – direct gifts are the simplest, most traditional, and most widespread form of charitable giving. In making a direct gift, the donor provides monetary support directly to charities and other non-profit organizations, on a case-by-case, gift-by-gift basis.

There is a longstanding debate – and precious little empirical evidence on either side of the discussion – as to whether and the extent to which tax incentives drive charitable giving. It is a fact, however, that many direct gifts are made without concern for the associated tax benefits and thus often go unreported.

In countries where there is a commitment to encouraging social investment by the private sector, the tax system may be structured to encourage gifts to organizations comprising what is sometimes called the “Third Sector,” non-governmental organizations (NGOs) and non-profit organizations. Direct charitable gifts provide tax benefits to both the donor (typically in the form of a deduction against income tax) and the NGO or non-profit (exemption from certain business tax levies).

In most countries, the law provides that in order to qualify for NGO status, an organization must address one or more of a range of specified objectives, e.g., social, cultural, environmental, and religious issues. In some countries, gifts to public agencies (e.g. public schools) also qualify for a tax deduction. In the United States and some other countries, gifts to for-profit organizations are also permitted and may also provide donors with a tax deduction, so long as the donor can show that the gifts have been used for charitable purposes by the for-profit entity.

Direct gift-making is appropriate for those who know their philanthropic objectives, wish to make immediate gifts, and can identify nonprofit organizations that address those objectives. The giving model is useful for donors who do not seek or need the administrative superstructure of more complex giving mechanisms – e.g., donor advised funds or private foundations (described in later

sections). Direct giving also allows donors to adjust their giving on an ad hoc, relatively spontaneous basis, rather than making irrevocable commitments.

Most frequently, direct gifts consist of money alone; the donor does not typically become actively involved in the organization's operations or programs. In addition, because in most cases direct gifts are not earmarked for a specific purpose, evaluation of a direct gift's impact can be more difficult than, for instance, evaluating gifts that are part of an ongoing giving program.

### Global Use and Variations

Direct giving is practiced in every region of the world, influenced by myriad cultural, historical, legal, and practical factors. However, because in many countries direct gifts are not systematically reported, it is very difficult to quantify giving on a country-by-country basis.

Several recent studies demonstrate the pervasiveness of charitable giving, particularly via direct gifts. An Independent Sector report indicates that 89 percent of American households made charitable contributions in 2000, the vast majority as direct gifts.<sup>9</sup> Indeed, gifts by individuals continue to comprise the vast majority of annual charitable gifts in the US; of \$212 billion in charitable contributions made in 2002, 75.8 percent of these gifts were made by individuals.

Likewise, according to the Canadian Centre for Philanthropy, 91 percent of Canadians over age 15 donate annually.<sup>10</sup> Even in regions such as Asia Pacific where individual philanthropy was previously considered extremely limited, there has been a demonstrated surge of charitable giving in recent years. A recent survey conducted by the Asia Pacific Philanthropy Consortium (APPC) found that nearly all middle- and high-income households made gifts in 2001.<sup>11</sup>

The form and characteristics of direct gifts can vary dramatically from country to country and region to region. For instance, in a practice not allowed by most Western tax regimes, charitable gifts in Asia often flow from one individual to another, e.g., a donor makes a charitable contribution to a family member, friend, or stranger in need. In fact, the majority of contributors (75 percent) described in the APPC study gave to individuals.<sup>12</sup>

Times of crisis – whether due to economic difficulties, political unrest, or natural disasters – serve as a catalyst for charitable giving in almost all countries. Indonesia, for example, experienced a surge in charitable contributions after famine hit the country in the mid-1990s and religious institutions launched collections to assist their communities.<sup>13</sup>

Around the globe, religion serves as one of the dominant motivations for individual charitable activity. The desire and obligation to give in a matter consistent with one's faith plays an important

<sup>9</sup> Independent Sector "Giving and Volunteering in the United States 2001: Key Findings."  
<<http://www.independentsector.org/PDFs/GV01keyfind.pdf>>

<sup>10</sup> Canadian Centre for Philanthropy. "2000 National Survey of Giving, Volunteering, and Participating,"  
<http://www.nonprofitscan.org/sizescop.htm>

<sup>11</sup> APPC. *Investing in Ourselves: Giving and Fundraising in Asia*. 2002, p. 64.

<sup>12</sup> Ibid.

<sup>13</sup> APPC. *Investing in Ourselves: Giving and Fundraising in Indonesia*. 2002, p. 7.

role in individual philanthropy in most regions and for most donors. In Thailand 94.5 percent of individuals in a recent study made “religious contributions,”<sup>14</sup> and in Indonesia, 98 percent of those surveyed listed “religious teaching” as a primary reason for making a donation.<sup>15</sup> This is consistent with findings in other countries such as the US, where over half of households contribute to religious organizations.<sup>16</sup>

In some countries, donors have the opportunity to make direct gifts through so called “federated campaigns” or “federated funds,” devices created to encourage greater charitable giving. Such campaigns typically enable donors to make multiple gifts through a single payment to an intermediary organization. Gift drives are often held annually by the intermediary, either in the workplace or through a church. Donors are offered an extensive list of qualifying nonprofit organizations and can, depending on applicable policy, choose one or more organizations to which to give. Contributions are made through payroll deductions or a single donation to the “campaign.” The organizing institution then makes the actual distributions to local and regional (and sometimes national and international) nonprofit organizations.

Tax deductibility is, as always, a factor in this arena. Where a full tax deduction is available for a gift to a federated campaign – e.g., in the United States, where gifts to United Way campaigns are fully deductible – “affiliates” of the campaign may enjoy a relative advantage in fundraising. In other countries the tax regime is less favorable. In Greece, for example, any individual contribution above \$2,700 incurs a 10 percent tax. Similarly, in Jamaica only corporate donations are deductible.<sup>17</sup> In other countries such as Indonesia and South Africa, no deduction is available at all.<sup>18</sup>

### Considerations for Global Use

Beyond the cultural, historic, economic, or political influences on direct giving, a number of other factors related to “infrastructure” can limit the practicality and impact of direct gifts. Common obstacles to their more widespread use include: a burdensome NGO registration process; the lack of centralized information; and a general public distrust of NGOs.<sup>19</sup>

#### *Burdensome registration process*

The relative ease or difficulty with which an organization can “register” or incorporate in a given country is one of the most important influences on the size and scope of its nonprofit sector and the role of philanthropic gifts in supporting it. For example, in many countries the process of NGO

<sup>14</sup> APPC. *Investing in Ourselves: Giving and Fundraising in Thailand*. 2002, p. 7.

<sup>15</sup> APPC. *Investing in Ourselves: Giving and Fundraising in Indonesia*. 2002, p. 35.

<sup>16</sup> AAFRC Trust for Philanthropy. *Giving USA 2002*, p. 59.

<sup>17</sup> United Way International. Greece and Jamaica Country Pages. < <http://www.uwint.org/greece/greece.html> > < <http://www.uwint.org/jamaica/jamaica.html> >

<sup>18</sup> United Way International. Indonesia and South Africa Country Pages. <

<http://www.uwint.org/indonesia/indonesia.html> > < <http://www.uwint.org/southafrica/southafrica.html> >

registration is difficult, expensive, and/or restricted to limited categories of NGOs. In others there is a reluctance to enable private organizations that provide services normally the responsibility of the state, or, far worse in the eyes of the state, organizations whose activities might oppose state policies and positions. In many countries, NGOs may prefer not to register, in order to remain free of government control. It has been reported that in Korea 80 percent of nonprofit organizations are unregistered.<sup>20</sup> In such situations, efforts to reform the legal and regulatory environments may be required if there is to be an increase in the frequency and ultimate impact of “direct gifts.”

#### *Lack of centralized information*

The use of direct gifts is also undoubtedly limited in most countries by the lack of a reliable, centralized source of information on the existence, activities, and legal status of NGOs. Some recent efforts have tried to address this obstacle. In the United States, the web-based Guidestar provides information about the nation’s roughly 700,000 nonprofit organizations. While in most instances comprising no more than the NGOs’ annual tax filings, there is both the opportunity and the impetus to expand the scope of such information. In recent years, similar online databases – e.g., Germany’s Foundation Index<sup>21</sup> and the United Kingdom’s Charity Choice<sup>22</sup> – have been created to provide more specific information about charities in those countries. Information clearinghouses elsewhere would likely reap similar rewards.

#### *Public distrust of NGOs*

While the growth of the global nonprofit sector has surely increased the amount of direct giving to NGOs, it has also magnified concerns about the legitimacy, effectiveness, and financial management of such organizations. In many countries a lack of transparency and accountability in the sector has led to a general suspicion of civil society organizations. In some countries new “watchdog” groups have emerged to provide donors with information with which to better evaluate NGOs. In the United States, on-line information can be found at the Better Business Bureau’s Wise Giving Alliance and the American Institute of Philanthropy, both of which provide information on the largest US nonprofits and rate/grade them according to a limited set of criteria. It remains to be seen whether such organizations will provide the scope and depth of analysis necessary to provide real insight into the effectiveness of the nonprofits they review. Until the experiment matures, it is difficult to predict whether similar organizations in other countries could, by enhancing transparency and public trust, stimulate greater levels of direct giving.

<sup>19</sup> These factors also influence giving through almost any philanthropic vehicle. They are described here at the outset, but should be kept in mind when considering other philanthropic tools.

<sup>20</sup> “Creating and Sustaining an Enabling Legal Environment.” WINGS website <<http://www.wingsweb.org/programs/IMAG/workshops/legal.html>>

<sup>21</sup> The Foundation Index can be found at [www.stifungsindex.de](http://www.stifungsindex.de)

<sup>22</sup> Charity Choice can be found at <http://www.charitychoice.co.uk/>

**Direct Giving via Federated Campaigns:  
United Way International**

Members of United Way International (UWI), with affiliates in 43 countries throughout the world including 125 member organizations in Canada alone, raise significant resources through federated giving campaigns. In 2002, international affiliates raised \$US 723 million and mobilized over 200 million volunteers. In the United States, the United Way is the largest federated campaign, with 1,400 local United Way affiliates operating workplace giving campaigns throughout the country. In 2001-2002, United Way in the US raised an estimated \$5 billion for various charitable causes.

United Way International encourages gifts of both time and money. Contributions raised through UW International fund programs such as the Bakery of Love in Taiwan, which provides disabled individuals an opportunity to learn baking and business skills. In Costa Rica, UW has partnered with the business association Asociacion de Empresarios para el Desarrollo (AED), a group of 34 businesses that have pledged 1% of net profits to charitable contributions. The association couples financial contributions with an annual volunteer day, in which members spend a day working in a school in San Jose.

**PLANNED GIVING**

A cluster of giving options – often referred to as “planned gifts” – allow a donor to make significant philanthropic gifts within the broader context of his/her personal financial needs and goals. Planned gifts allow a donor to support issues and organizations of his/her choice while at the same time planning for one’s own or one’s heirs’ financial future.

Planned giving mechanisms vary according to their duration and the beneficiaries they are designed to serve. A planned gift is often -- but not always -- part of an estate plan; where it is, it is subject to the laws governing trusts and estates in its countries of origin. The following examples of planned gifts, all commonly used in the United States, illustrate the variety of planned giving tools:

***Charitable Bequest***

A charitable bequest is essentially anything that a donor leaves to a charity from his/her estate through a will or similar legal document. Charitable bequests are used by donors who wish to support a nonprofit organization but do not know what portion of their wealth they will need for themselves during their lifetimes. A donor leaves a bequest to charity that specifies a specific dollar amount or a percentage of an estate, or leaves any assets after the family has been provided for. Bequests often include cash, cars, houses, land, art, and jewelry. A paid life insurance policy or appreciated securities can also be the subject of a charitable bequest.

### *Charitable Gift Annuity*

This tool provides immediate support to a nonprofit organization while also providing the donor with lifetime income. A donor contributes cash or other assets to a nonprofit organization, which in turn agrees to make fixed annuity payments to the donor for the rest of his/her life. The donor can take an immediate income tax deduction for a portion of the gift, and a portion of each annuity payment is treated as a tax-free return on investment. The nonprofit organization that receives the gift benefits from the portion not used for payments. A similar vehicle in Germany allows 30% of annual revenue to be paid to family members.

### *Charitable Remainder Trust (CRT)*

A CRT is a planned giving vehicle through which a donor can provide for the current and medium-term financial needs of his/her beneficiaries while planning for the future support of a nonprofit organization. A CRT pays income to non-charitable beneficiaries named by the donor – often the donor herself and/or her children – for a set period of years. At the end of that period the balance of the trust is transferred to one or more charitable organizations selected by the donor. The creator of the trust can take an income tax deduction – for the determined value of the portion of the gift that will ultimately pass to a charity – in the year in which the trust is created.

### *Charitable Lead Trust (CLT)*

A CLT is essentially the opposite of a CRT. In a CLT, a nonprofit organization or organizations receive(s) income from a trust for a period of years. At the end of the trust's duration, the remaining assets pass to the donor's beneficiaries or heirs.

It is beyond the scope of this paper to assess the extent to which these or similar planned giving vehicles are in use around the globe.

## **PRIVATE AND FAMILY FOUNDATIONS**

The interpretation and use of the word "foundation" varies widely from country to country. Often, it encompasses many different kinds of charitable organizations, including both funding organizations, and charitable organizations devoted to specific public purposes but without their own source of funding.

In the context of this paper focused on philanthropic giving vehicles, "foundation" is used to describe an institution established and funded by a charitable donation to aid the public good. Such a foundation typically receives its endowment from an individual or family. Because the foundation operates to support "the public good," the endowment is normally not taxed (although in the US, investment income is subject to nominal excise tax). Some countries require that foundations make a minimum level of charitable expenditures each year. In the United States, for example, the

minimum is five percent of the foundation's net investment assets; in Germany, payout is based on annual revenue earned from endowment investment. Most countries require no specific distribution. For many donors, a private foundation is the unrivalled vehicle of choice for charitable giving. It provides valuable structure to philanthropy – a framework through which to pursue immediate and long-term philanthropic goals – while at the same time preserving personal control over and unequalled flexibility in charitable gifts. Such a structure confers significant benefits, but also requires significant investments of human, intellectual, and sometimes financial capital.

The advantages of a foundation are numerous. It can allow a donor to establish individual priorities and objectives and to further these objectives in perpetuity. It can permit the donor to maintain direct control over distributions. It offers donors the opportunity to engage directly with beneficiaries and constituents, and to systematically evaluate effectiveness. It is a vehicle that can be used to strengthen family ties and connections. While each of these benefits can be a significant draw, the principal reason for creating a foundation has to do with intersecting considerations of mission, perpetuity, control, and family bonds.

### *Mission*

Perhaps most importantly, foundations offer a vehicle through which a donor can define, communicate, and pursue a philanthropic mission. A statement of mission is an expression of a donor's goals, philanthropic objectives, and sometimes the means to achieve those ends. It can include a healthy dose of the donor's values and principles. It can articulate a theory of change, and suggest some of the strategies for achieving them. It can translate a philanthropic vision statement – a statement of philanthropic hopes or dreams or a preferred future – into a simple set of objectives and avenues to their realization.

### *Perpetuity*

Private foundations offer a means through which to pursue a philanthropic mission in perpetuity, if that is what the donor seeks. Many foundations are established with the expectation that their endowment will be permanent, and that its charitable mission will – with sound investment management – guide grantmaking into a virtually unlimited future. In a word, foundations are a vehicle that lends itself to significant long-term philanthropic impact.

### *Control*

Foundations offer significantly more control than some other forms of giving. New foundations operate solely under the guidance of their founders and/or the trustees they appoint. Subsequent trustees are appointed according to the process established by the founder. The foundation is free to operate without the oversight of an unrelated board of directors such as the case when using a donor-advised fund at a community foundation or charitable gift trust. Thus, if desired, control can stay within a family and indeed be used to strengthen family bonds, values, or ethics.

### *Family bonds*

For families that seek a forum in which family members can work towards common goals, a private or family foundation perhaps has no peer. Though in the United States there are typically no legal distinctions between “private” and “family” foundations, the popularity of the term “family foundation” signals the important role foundations play in family relationships. A family foundation can create a strong sense of shared enterprise, of connection to one’s family and fellow board members. It can affirm a set of shared values, and promote them publicly – as TPI’s Peter Karoff is fond of saying, “private action in public space.” It can create a platform for legacy, and a commitment to a common good. In addition, a private foundation can provide an environment for next generation members to learn business and management and stewardship skills.

### *In determining whether to establish a private foundation, several issues bear consideration:*

#### *Donor intent*

Because private foundations usually pay out only a small percentage of their assets annually, their short-term charitable impact is almost always far smaller than that of a direct gift. Before creating a private foundation a donor should consider – among other things – the trade-offs between short-term and long-term impact.

#### *Start-up capital*

Foundations work primarily from endowed funds and generally give away only a small portion of their total assets annually. Therefore, in order to have real impact on an on-going basis, private foundations require a significant up-front contribution to endowment. How much is “enough” to endow a private foundation, to justify the significant start-up and annual carrying costs? Heard frequently, there is no “right” answer to this question, and norms will vary a great deal from country to country. In the United States, commentators often suggest anywhere from US\$500,000 to \$2,000,000. And in fact, the great majority of private foundations in the US have endowments of less than one million dollars. Similarly, in Germany, 60% of the foundations have assets less than one million Deutsche Marks (approximately US\$600,000).

#### *Future gifts*

In addition to start-up capital, it is important to project the likelihood and the size of possible future gifts. In many instances private or family foundations are initially funded with a modest infusion of capital, in the expectation that some future liquidity event will result in the contribution of significant additional capital down the road.

#### *Administration*

The management and administration of a private foundation can be a significant undertaking, governed by comprehensive legal and administrative requirements.

In a word, the costs and benefits of creating a private foundation should be carefully weighed.

#### TYPES OF PRIVATE OR FAMILY FOUNDATIONS

*Private Endowed Foundations* – Nonprofit corporations or charitable trusts, usually controlled by a single entity, e.g., an individual, a family, or a corporation. The foundation’s assets comprise an endowment, some portion of the income and/or principal from which is distributed to charities annually in the form of grants. Foundations vary in the way that they approach grantmaking. Many focus on specific program areas – such as the arts, education, youth and families, etc. Some solicit proposals from charitable organizations while others conduct their own research and select organizations to receive grants.

*Private Operating Foundations* – Foundations that devote most of their resources and energies to operating their own charitable programs, rather than making grants to other organizations.

*Pass-Through Foundations* - Non-operating foundations that distribute all the contributions they receive in a given year rather than a portion of an endowment.

#### Global Use and Variations

The number of private foundations is growing around the globe, although the data does not exist to determine the precise number. As noted above, the data is somewhat inscrutable, given the highly variable use of the word “foundation.” In particular, much of the data do not distinguish between endowed and fundraising foundations. Others do not distinguish clearly between foundations for the broad public good and family trusts that more narrowly serve the interests of an extended family. Still others include membership associations.<sup>23</sup>

In the United States, private foundations gained tremendous popularity in the early 20th century, when the federal government first allowed deductions from income and estate taxes for those individuals who made charitable contributions.<sup>24</sup> Today, there are probably more than 70,000 private grantmaking foundations in the United States.

Outside the United States, the picture is less clear. In Foundations in Europe, the Bertelsmann Foundation reports the distribution of foundations across Europe from a high of 20-30,000 in Sweden to a low of 30 in Ireland, and estimates around 80,000 in all of Europe.<sup>25</sup> Data from other regions is even scarcer. In Latin America there is evidence of an increase in institutionalized

<sup>23</sup> For a discussion of data sets and definitions in Europe see *Foundations in Europe*, p. 35-83.

<sup>24</sup> Prince, Russ Alan, Gary Rathbun, and Chris Steiner. *The Charitable Giving Handbook*. Cincinnati: The National Underwriting Company, 1997.

<sup>25</sup> *Foundations in Europe*, p. 51.

philanthropic activity over the past decade, particularly in the number of new private and corporate foundations. This is especially true of Mexico and Brazil.<sup>26</sup>

Even more difficult than quantifying the number of foundations globally is the challenge of capturing their myriad differences in intent and practice. That said, a few significant distinctions are worth highlighting:

#### *Grantmaking v. Operating Foundations*

In the US, grantmaking foundations far outnumber operating foundations, but this stands in sharp contrast to many parts of the world where the opposite is true.<sup>27</sup> In Europe, tradition has clearly favored operating foundations.<sup>28</sup> In Latin America, the majority of foundations is operating foundations, or combine operating and grantmaking programs. Very few foundations are of the grantmaking variety exclusively.

#### *Private v. Corporate Foundations*

In some regions, notably Latin America, the distinction between family/private and corporate foundations is neither well defined nor obvious. In many Latin American countries, for example, the tax consequences inherent in selecting one form of foundation over another can be less than clear, making it common for wealthy business owners to draw little or no distinction between their individual charitable contributions and those of their company. In Germany, many private foundations are affiliated with private-owned family businesses and as a consequence often have more to do with family philanthropy than with corporate philanthropy.

#### *Public v. Private Giving*

In some regions, the use of private foundations may be limited by cultural traditions that are critical of public displays of personal wealth. In East Asia, for instance, very few families of wealth have family foundations, reflective of a culture in which such displays are disfavored.

#### **Considerations for Global Use**

In many countries – particularly those currently drafting new legal and regulatory frameworks for civil society – important questions are being posed regarding appropriate and legitimate roles for private foundations. The paradox is that foundations represent a combination of public and private capital: governments allow the sequestering of a pool of capital in the form of a foundation endowment, and then waive taxes on the endowment and most of its income. Thus, the income from that endowment that is available for distribution (in a grantmaking foundation), or program

<sup>26</sup> Sanborn, Cynthia. "Philanthropy and Social Change in Latin America: Complex Relationships," unpublished report, Harvard University, 2003.

<sup>27</sup> The Foundation Center. "Foundation Growth and Giving Estimates: 2001 Preview," p. 6. This study separates out operating foundations (3,472) from independent (50,532), corporate (2,018), and community (560).

<sup>28</sup> *Foundations in Europe*, p. xiii.

operation (in an operating foundation) is both public and private. As a consequence, public policy makers must balance the benefit to donors that private foundations represent with their overarching objective – advancing the public good. One thing is clear (and it is a message that is lost on few law makers, regardless of where they reside): governments have a legitimate right – indeed, an obligation – to carefully consider the purpose, benefits, and costs to society of allowing and/or encouraging the creation of private foundations.

### Resources

In the past decade a number of resources have become available to assist individuals in starting and managing private foundations, most of them US-based. Many sources – among them the Council on Foundations, the Forum of Regional Associations of Grantmakers, the Foundation Center, various academic institutions, and consulting practices – offer publications that discuss the steps involved in establishing a private foundation in the U.S. To the extent that there is some consistency in policy and practice across international borders, some of these materials will have some application to the creation of foundations in other countries.

Similarly, philanthropic advisory services are increasingly common in some regions and countries, and some of these may be able to assist families and corporations in creating foundations and giving programs. While such services have existed in the U.S. for two decades now, in more recent years they have begun appearing in other countries, e.g., the U.K, Brazil, and South Africa.

Most recently, the creation and administration of private foundations has gone on-line. Foundation Source, a Connecticut-based company, has created a relatively inexpensive approach to foundation creation and administration, reducing legal and administrative costs through a web-based management tool. The approach is new and viewed with some suspicion by other players in the field – e.g., some community foundations, who see a competitive model to their donor-advised-fund and supporting organization vehicles – and thus time will tell how successful this venture will prove to be.

Specific organizations are referenced in “Resources,” infra.

### COMMUNITY FOUNDATIONS

Many donors are strongly committed to their communities and wish to support and “give back” to them. Community foundations can often provide a flexible, supportive, and administratively convenient way to do so.

Community foundations are normally tax-exempt public charities. They typically seek and receive charitable gifts from a broad base of donors that includes individuals, businesses, and sometimes even government agencies, and use those gifts to address local and/or regional needs. While organizational structures and practices vary significantly from foundation to foundation, most

community foundations share as a *raison d'être* the objective of addressing community or regional issues and improving the lives of people in a defined geographic area.

Globally, there is tremendous variation regarding the kinds of gifts donors can make through community foundations, and in the amount of latitude donors can exercise in directing the use of the contributed assets thereafter. While the most common model may still be the unrestricted gift to the foundation, other models abound. In the United States, for instance, much more common today than the unrestricted gift is the creation of a donor-advised-fund, in which the donor retains the right to recommend gifts to charities of his/her choosing, subject to the approval of the community foundation's board. Community foundations also offer field-of-interest funds, through which a donor can support organizations that address issues relating to, e.g., the environment, children, women, or education.

Community foundations offer a host of services and advantages to donors who wish to invest in their community, including:

***Expertise***

Community foundation staff are typically well acquainted with community needs, expertise which would be difficult and/or expensive to duplicate in a small to medium sized private foundation. Community foundations also serve as information repositories and research centers for donors, providing a knowledge base far greater than what the donors could individually afford.

***Leverage***

By combining and pooling resources community foundations enhance the value of individual contributions, enabling the foundation to address broad-gauge problems.

***Administrative support***

Giving through a community foundation relieves a donor of the administrative burdens associated with establishing and operating a private foundation. Administrative services typically include asset management, program design, grantmaking assistance, publicity, legal and fiscal reporting, and documentation and tracking. For such services community foundations charge fees based on the size/payout of the fund.

***Lower transaction costs***

Because community foundations provide similar program and administrative services to numerous funders, the foundation can achieve economies of scales and provide such services at reduced, often relatively modest cost.

***Transparency and accountability***

Most community foundations have a publicly accountable governing body and transparent policies and procedures, providing the donor with a clear sense of where and how resources are allocated.

### Global Use and Variations

Community-based philanthropy is hardly a new phenomenon. Many societies have community giving organizations, some of which date back centuries, united by the common aim of creating a safety net for community members.

In the United States, the community foundation movement began in 1914 with the establishment of the Cleveland Foundation. The movement later received substantial encouragement by larger foundations such as the Mott and Ford Foundations through matching grants and other forms of support. Today, there are over 700 active community foundations in the United States.

In the 1980s, the concept of the community foundation took hold in the United Kingdom, with support from the Mott Foundation and Charities Aid Foundation. During the 1990s the concept began to spread rapidly and widely beyond the United States and the United Kingdom, often encouraged and aided by U.S. foundations and nonprofit organizations. Today, in addition to the U.S. community foundation community, there are over 365 community foundations in 37 countries.<sup>29</sup> Especially notable is the German experience, where, with leadership from the Bertelsmann Foundation, the number of community foundations in the country has grown from three in 1997 to at least fifty today. Additionally, the number of community foundations in Mexico – often encouraged by the government – has grown to 20.<sup>30</sup>

Most community foundations share a set of common features, e.g., pooling of philanthropic funds from a range of donors, focus on a specific geographic community, government by a local board, and social investment in local and/or regional charities.

But predictably, many other characteristics of these newly formed community foundations vary widely, shaped by local history and local needs. Variations occur in both philosophy (e.g., mission and policies) and operations (e.g., structure, procedures, practices).

#### *Key respects in which community foundations often differ include:*

##### *Community needs and donor interests*

Most community foundations would acknowledge their need to be responsive to both community needs and donor interests. Yet the balance between these objectives varies enormously from foundation to foundation. Many community foundations view themselves principally as community development organizations, pooling resources for a defined community agenda. Such organizations tend to offer relatively limited flexibility in addressing individual donor interests and provide a fairly limited range of individual “donor services.” At the opposite end of the spectrum are community foundations that put much greater emphasis on donor interests and agendas. Such organizations

<sup>29</sup> Sacks, Eleanor. “2003 Community Foundation Global Status Report.” WINGS-CF < [http://www.wings-cf.org/global\\_report/index\\_e.cfm](http://www.wings-cf.org/global_report/index_e.cfm) >

<sup>30</sup> Ibid.

often provide multiple giving mechanisms, individualized advisory services, and resources and educational opportunities through which donors can develop personal philanthropic interests and practices. Such differences in philosophy and approach can have strong influences on the foundation's structure, operations, funding, and staff, as described below.

### *Grantmaking vs. Operating Organizations*

The degree to which community foundations operate their own programs differs greatly across the global landscape. In some regions – notably the United States and United Kingdom – community foundations are generally organized as grant-making entities that help donors leverage synergies, enjoy economies of scale, work together in addressing grant-making interests, and support local nonprofit organizations to perform tasks in the interest of the public good. In this regard they serve as intermediaries between donors and nonprofits. In contrast, many community foundations – particularly in Europe – operate their own programs. This often occurs in countries with a similarly high proportion of operating foundations among independent foundations. In such instances the community foundation can be seen as competitors, rather than supporters, of nonprofit organizations. The operating model also has significant implications for staff roles, skills, and composition.

### *Funding Base*

Community foundations receive funds from a range of sources – private, corporate, and state – often reflecting the historical and political context in which they have been created. The source of funds also affects the kinds of activities they fund or operate. In the U.S., community foundations are overwhelmingly funded by individuals. In contrast, in Russia and many eastern European countries community foundations are funded predominantly by banks and corporations. In other countries, notably the United Kingdom, community foundations can receive significant funds from the national government to operate community programs.

### *Endowments*

Many community foundations seek to build a permanent resource for the community through the creation of a permanent endowment, while other foundations quickly regrant almost all funds received. Endowments, considered “savings” for the future, can be difficult to justify in countries where immediate needs are great. Additionally, in countries where there is a persistent suspicion of civil society, endowments can be perceived as more of a money shelter rather than a charitable gift to benefit the community. However, for a community foundation to have any hope of serving as a long-lived resource for meeting community needs, for it to provide a dependable source of social capital, an endowment is essential.

Additional dimensions in which community foundations tend to differ include size, scale of geographical region served, scale and number of donors, scope of purposes they pursue, amount of unrestricted vs. restricted funds available, governance structure and board composition.

### Considerations for Global Use

The “staying power” of community foundations varies significantly from country to country, region to region, foundation to foundation. While the numbers of community foundations are impressive, there is little research to illuminate their popularity with donors, their resource levels, or their impact in their respective communities. Among significant issues for the future and more widespread establishment of community foundations are:

#### *Definition of community*

To what extent and in which regions is a “geographical” community the most effective organizing model for pooled, “community” giving? Are there places where community is more strongly defined by other variables, e.g., cultural or religious affiliations?

#### *Trust in intermediaries*

As noted above, in some cultures and regions there is a pervasive distrust of civil society. In India, for instance, there is a decided reluctance to working with intermediary groups; philanthropists prefer to work directly with grassroots organizations. <sup>31</sup>

#### *Role of external funds*

Many community foundations have been established with outside resources. As noted above, several U.S. foundations and non-profits have invested heavily in the development of community foundations around the world. It is too early to predict the “staying power” of some community foundations, once external funding and support is withdrawn.

#### *Organizational independence*

Emerging community foundations are sometimes challenged by some other entity in the community – e.g., a savings bank, local government, large corporation or single large donor – to take control of the foundation. For many donors, a community foundation that was the pawn of another major community institution would have little appeal.

### Resources

Paralleling the growth of community foundations around the globe has been a simultaneous emergence of support organizations and networks aimed at nurturing the movement. Such entities can provide technical assistance, opportunities for collaborative peer learning, development and dissemination of best practices, and a forum for philanthropy promotion generally.

A few countries (e.g., the United Kingdom, Germany, Canada, the U.S) have organizations or significant initiatives devoted entirely to community foundation issues. National and regional associations of grantmakers, such as the newly established East Africa Network of Grantmakers,

<sup>31</sup> Sidel, Mark, presentation at the Weatherhead Center for International Affairs, Harvard University, February 2001.

support community foundations in similar ways. (Specific organizations are listed in the Resource Section).

In addition, recently established international networks have become critically important to the support and development of community foundations globally. In 1999, the Bertelsmann Foundation and the Charles Stewart Mott Foundation established the Transatlantic Community Foundation Network (TCFN) to encourage mutual learning and knowledge sharing among community foundations on both sides of the Atlantic. At the same time, the Transatlantic Community Foundation Fellowship program (TCFF) was established by the King Baudouin Foundation, the German Marshall Fund and the Mott Foundation to offer an opportunity for more extended peer learning through an exchange program for community foundation professionals. Also in 1999, the Worldwide Initiatives for Grantmaker Support - Community Foundations (WINGS-CF) was established to support community foundation development globally. Membership in the last has come from local, regional, and national support organizations.

#### **DONOR ADVISED FUNDS**

Donor-advised funds are accounts established at public charities that allow individuals to make a significant charitable gift to the public charity, claim an immediate charitable tax deduction, and then over time recommend how, when, and to which charities income and principal from the account is distributed.

Donor-advised funds can be hosted by a range of public charities. In the United States, community foundations and Jewish federations have offered this option for decades. In the last ten years, the popularity of the donor-advised funds has grown tremendously, and many other institutions such as universities, local United Ways, women's funds, and others have begun to offer them. Such "host organizations" typically offer the benefit of their expertise on specific populations and/or issue areas. Also in the last decade, many financial-service companies in the U.S. have begun to offer donor-advised funds through public charity subsidiaries, attracting significant resources.

Under U.S. law, a donor advised fund represents an "endowed" fund at a public charity over which the donor and his/her designated successor(s) retains the authority to recommend – but not to direct – subsequent charitable gifts; the authority to approve the gift remains within the purview of the charity's board of directors. That said, as a matter of practice the host organization's board will almost always approve the recommended gift, on the condition that it is to a legitimate charity.

Donor advised funds can offer some important and significant advantages to the donor including: relatively small entry costs, flexibility, administrative convenience and low cost, opportunity for family involvement, and the prospect for peer engagement and networking.

### *Resources*

Donor-advised funds can be established with far fewer resources than would typically be required to justify a private foundation. While the actual amounts will differ enormously from fund to fund, such funds offer the donor a vehicle through which to engage in philanthropy over the long term, with relatively modest contributions of capital.

### *Flexibility*

Donors with donor-advised funds retain flexibility regarding gift recipients, size of individual gifts, and timing. Donor-advised funds typically do not have prescribed beneficiaries (unlike many kinds of planned gifts). There are no prescribed timetables or minimum pay-out requirements as there are for private foundations.

### *Administrative convenience*

The public charity that is home to the fund assumes all the administrative responsibilities that would fall to family or staff at a private foundation. Because of economies of scale, administrative costs are generally lower than those associated with a foundation.

### *Family involvement*

Like a foundation, a donor-advised fund can provide a platform for family involvement and for the articulation and promotion of family values and relationships. A donor can structure the informal governance of the fund in such a way that spouses, parents, children and even friends can participate in the fund's activities. In the United States, most community foundations give the donor(s) the right to appoint at least one generation of successor advisors; some allow more, and a very few have no limit on the number of generations in which the fund can continue to exist.

### *Donor resources and peer engagement*

Some public charities that are hosts to donor-advised funds offer the donor advisors educational opportunities, avenues for peer networking, and sometimes even opportunities to make pooled investments in support of common causes. Community foundations have been exemplars in this regard; most for-profit corporations with non-profit subsidiaries that offer donor-advised funds have, to date, shown little or no interest in providing such educational and networking services to their donors.

### *Privacy*

For the donor who wishes to preserve her privacy and/or anonymity, the donor advised fund offers a convenient and simple way to give anonymously. Both commercially-branded and community foundation-based donor-advised funds will allow advisors to recommend gifts anonymously. In such cases, the charitable recipient of the gift will receive it from the host organization, with no other indication of its source.

The benefits of the donor-advised fund notwithstanding, for the donor or family that wishes to create a long-lived philanthropic enterprise, one over which they can exercise complete control and one which offers the opportunity to teach their children money management and administrative skills, the private or family foundation may offer a superior vehicle.

### **Global Use and Variations**

Global use of donor-advised funds appears to be fairly limited, but of growing interest to institutions wishing to promote philanthropy – particularly in Western Europe.

In Germany, a similar vehicle – the “dependent foundation” – has existed for over 100 years. Also attached to a host organization, the dependent foundation requires no minimum contribution and allows a donor to create a fund without incurring the costs or management responsibilities inherent in a private or family foundation.<sup>32</sup> As with donor advised funds at public charities in the U.S., the nature and extent of donor education services offered by the host charity can vary widely from host to host.

In the United Kingdom donor advised funds were highlighted in a 2002 report by the Giving Campaign, a government-sponsored nonprofit organization.<sup>33</sup> The Giving Campaign is currently following up on that research in an attempt to determine the feasibility of developing donor advised funds in the UK market. As of this writing, the working committee has yet to release its recommendations.

### **Considerations for Global Use**

Several issues will undoubtedly affect the growth and proliferation of donor-advised funds around the globe, among them:

#### ***Legal environment***

As with any giving vehicle, the local legal, regulatory and tax regimes will have a strong bearing on the emergence and use of new giving tools. If donor-advised funds come to be seen as a valuable vehicle for giving and for growing philanthropic capital, the law will often follow.

#### ***Potential market***

Many though not all donor-advised funds are marketed to individuals of significant net worth. The Giving Campaign noted that donor advised funds could “appeal to an affluent, financially sophisticated” UK audience. Other observers have noted that donor-advised funds can be used to promote philanthropy among those with more modest means. Certainly the experience of the United

<sup>32</sup> Then, Volker and Karsten Timmer. “Innovative Forms for Foundations: Investments in the Common Good.” *International Network for Strategic Philanthropy Working Paper. 2002.*

<sup>33</sup> The Giving Campaign. “The Future of Giving: A Study of the Potential Market for Planned Giving in the UK.” July 2002.

States, where donor advised funds associated with some community foundations and some commercially-branded funds can be created for as little as \$10,000, would suggest that the donor-advised fund can serve a truly heterogeneous economic market.

### *Administrative costs*

While donor-advised funds are often touted for the low administrative cost to the donor, there are nevertheless significant operational expenses for the host organization. A certain level of assets is needed in order for the host organization to avoid a financial loss. Recent research by the Foundation Strategy Group in the United States indicates that that number is probably in excess of US\$100,000. Community foundations are reassessing the fee structure for donor advised funds accordingly. In countries where donor advised funds are relatively new and such funds are few, the necessary economies of scale may be difficult to achieve.

As a final postscript, it is worth noting that there is currently some criticism of donor-advised funds in the United States. Some legislators have suggested that while such funds provide immediate tax benefits to the donor, they have no commensurate timetable for the distribution of that benefit to the public, i.e., there is no minimum payout requirement such as that which applies to private foundations. Time will tell whether legislation now pending in the U.S. Congress will address this issue, and what consequences for donor-advised fund use will ensue.

## **GIVING CIRCLES**

Giving circles are among the oldest and the newest of giving vehicles, with roots in ancient Jewish, Christian and Muslim traditions. In the last decade, they have evolved in style, scope, and method to become a popular and innovative mechanism for philanthropic giving.

Very simply, a giving circle typically consists of a group of individual donors that pool philanthropic resources around a common interest or issue to leverage the impact of their social investment. Such groups help to build community, increase the amount of philanthropic giving, and educate their members. Giving circles epitomize the power of collaboration.

Over the past decade of near-meteoric growth of philanthropy in the US, the popularity of giving circles there has grown accordingly. It is estimated that hundreds of giving circles have been created over the last five years, started either by a small group of motivated donors or encouraged and/or sponsored by an institution such as a community foundation, university, or corporation. Still, there is little data on the giving circle experience in the United States, and far less on giving circles elsewhere.

Giving circles vary widely in size, structure, and grantmaking operations. A common model includes 10-20 people, but some circles include several hundred members. A giving circle's size often dictates the circle's operational structure. Smaller, informal groups often rely on a loose, unincorporated structure that utilizes volunteers to manage the group's grantmaking. As circles

grow in size and ambition, some have incorporated as foundations, and hired professional staff. Alternatively, they may retain their giving circle structure and instead align themselves with a local community foundation, for example, to obtain assistance in management and administration.

Many giving circles' raison d'être is a shared sense of identity among circle members. Religious and ethnic or culturally-based circles have emerged as a popular model, providing individuals with similar backgrounds or beliefs an opportunity to leverage their giving power. In recent years, professional giving circles have also become increasingly popular as corporate employees and executives pool some portion of their philanthropic resources.

*Giving circles appeal to donors for any number of reasons, among them:*

***Leverage***

When giving circle participants pool their money with other donors, they are able to achieve greater impact.

***Learning***

At their best, giving circles are also "learning circles" with formal and informal opportunities to learn about community needs.

***Networking***

Giving circles create peer groups, allowing donors to exchange ideas with other serious philanthropists in an unbiased, neutral environment.

***Engagement***

Giving circles offer a structure for donors to be directly involved in community issues and challenges. There is wide variation among the missions, structure, and impact of the numerous giving circles that have emerged in recent years. But among them, several models seem to have widespread appeal, three of which are profiled below.

**GIVING CIRCLES: SOME EXAMPLES***Professional association: The Putnam Senior Executives Foundation*

The Putnam Senior Executives Foundation was established in 1998 by 30 senior managers at Putnam Investments to pool personal resources to address community needs in a collective, giving circle format. In its first year the group chose to make a single \$1 million gift in order to maximize the impact on the organization and the community. In subsequent years the circle has allocated its giving among multiple beneficiaries.

*Common religion: The Boston Jewish Community Women's Fund*

In the Jewish faith, Tzedakah collectives are essentially giving circles that encourage members to participate in tzedakah, community-based charity. In Boston, Massachusetts, a group of Jewish women are continuing this tradition by pooling their contributions to support organizations focused on Jewish women and girls. The fund has grown to nearly 60 women who have committed to give \$10,000 each over five years.

*Shared ethnicity: Hispanics in Philanthropy (HIP)*

HIP is a giving association for Hispanic donors. Established with support from the Rockefeller Foundation, HIP is a meeting ground for the growing community of Hispanic donors who seek to support community endeavors in both the United States and their countries of origin. HIP both demonstrates philanthropy's important role and at the same time strengthens philanthropic leadership in the U.S. Hispanic community.<sup>2</sup>

*Mutual interest: Global Philanthropists Circle*

Increasingly, giving circles are bringing together individual donors without prior ties but with a shared mission or objective, as in the case of Global Philanthropists, a recent initiative of the Synergos Institute. Global Philanthropists is testing the giving circle concept as a platform for worldwide philanthropy. The circle brings together individuals and families from around the globe to investigate and invest in efforts to tackle poverty, social exclusion, and the divide between rich and poor.<sup>3</sup>

**Women's Giving Circles**

Over the centuries, in many cultures, women have historically played a significant role in philanthropy. Some have theorized that such involvement enabled women to create "parallel power structures" in cultures where women were excluded from similar positions in commercial and political arenas.<sup>34</sup> It is certainly a fact that historically, women's philanthropy has often been channeled through religious organizations. More recently, women have become philanthropically active in ways intended to effect true social change.

In recent decades women have emerged as an important source of philanthropic resources. They are also increasingly playing leadership roles in promoting philanthropy. In the United States, it is estimated that women control over half (51.3 percent) of all personal wealth.<sup>35</sup> More broadly, in some countries, greater female independence, increased education, and employment opportunities

<sup>34</sup> *Women, Philanthropy, and Civil Society*. Kathleen D. McCarthy, Editor. Indiana University Press, Bloomington and Indianapolis, 2001.

<sup>35</sup> Poggi, Stephanie. "Feminist Giving and the "Paradox of Wealth." *Sojourner*. May 2000.

have extended women's control over wealth. The "first women" of several countries including Mexico, Brazil, Jordan, South Africa and the United States have become spokespersons for and exemplars of the important role of philanthropy in their countries.

One of the most noticeable developments in women's philanthropy is the rapid growth of women's giving circles, also called "women's funds." The first women's funds in the United States appeared in the 1970s, and there are now over 95 such circles.<sup>36</sup> Additional women's funds have been established in at least 15 countries, most within the last five years. (See "Resources" for a list of non-U.S. women's funds).

While many women's funds focus on programs supporting women and girls, other funds focus on broader causes, and a range of organizational models accommodates various abilities to give and various interests. For example, some women's funds require only a modest financial commitment, but rely on donors' pledges of time to help support and strengthen grantee organizations. Other funds support a combination of individual and pooled giving, allowing donors to support their personal interests while responding to community-wide needs through larger, focused awards. In addition, many women's circles consciously try to build confidence in women donors – addressing a disconnect between women's financial capacity and their confidence in using that capacity to effect social change.

#### **Grassroots Women's Giving in Mexico: The Semillas Example**

Established in 1991, Semillas has funded over 100 projects for nearly 70 women's programs in 18 Mexican states. Relying on grassroots techniques to mobilize women to give to the fund, Semillas has developed strategies aimed at attracting and securing a dedicated donor base. For donors who wish to practice higher engagement philanthropy, the organization strives for "peer learning" by facilitating meetings between grantees and board members. The fund has also created a close-knit women's donor network called "women investing in women," which has 55 members. It is a classic example of the "double win" – women helping women, both of which gain in the bargain.

#### **Young Philanthropist Circles**

In recent years, giving circles have become popular among younger donors, many of whom are interested in learning about strategic giving while making a contribution to society, in the company of their peers.

Youth – including school children, adolescents, college students, and even young professionals – have begun playing an increasingly important role in philanthropy and the broader civil society sector, and the past decade has seen a marked increase in programs to motivate and engage this growing donor population. A number of organizations that recognize the tremendous charitable

<sup>36</sup> Giving New England. "A Plan of One's Own: a Woman's Guide to Giving Resources."

potential of youth have begun offering philanthropy-focused programs to young people. Giving circles are particularly popular because of their high level of peer engagement and the learning opportunities they provide to members.

“Young philanthropists” circles typically share two common qualities. First, because young people often have more time than money, such groups offer opportunities for their members to contribute their skills and sweat equity, and to work directly with non-profit organizations. Second, recognizing that for many members this involvement may represent their first independent steps in philanthropy, such groups typically offer significant opportunities for philanthropic “education.”

#### **“InTandem”**

Founded in 2001, InTandem is a San Francisco nonprofit organization that educates young professionals about issues in their community and provides an opportunity for these professionals to leverage their time, money, and skills to assist selected organizations. InTandem members contribute \$365 per year (equivalent to \$1/day) and focus on a different social issue area each quarter. Members conduct research on the issue, identify organizations doing good work in the field, and provide small “skills grants” to nonprofit organizations conducting skills projects. Skills engagements focus primarily on capacity-building initiatives, include marketing, technology, event-planning, legal consulting services, etc.

#### **Resources**

The proliferation of the giving circle has prompted some organizations to create resources to help others develop and launch their own circles. Manuals and “starter kits” offer a “how to” for those interested in starting a giving circle. Several groups specifically support, encourage, and assist women’s giving circles. Most international women’s funds are members of the International Network of Independent Women’s Fund, coordinated by the Global Fund for Women and supported in large part by the Ford Foundation. In addition, resources, guides, and handbooks from U.S. women’s funds are available from the Women’s Funding Network, the Women’s Philanthropy Institute, and the Washington Women’s Fund. These and other resources are listed in Resources, infra.

#### **VENTURE PHILANTHROPY**

Over the past five years, much attention has been given to “venture philanthropy.” While venture philanthropy (VP) is really a social investment approach rather than a giving mechanism, because of its rapid growth in the United States, growing interest in the approach elsewhere, and the model’s potential for significant impact, it is worthy of inclusion here.

< [http://www.givingnewengland.org/women\\_aplan\\_resources.html](http://www.givingnewengland.org/women_aplan_resources.html)>

The concept of venture philanthropy originated among businesspeople that -- having achieved economic success in the private sector -- were looking for ways to use not only their money but their business skills and expertise to address social issues and community needs. Beginning in the mid-1990s, the first organizations to practice venture philanthropy were the Robin Hood Foundation in New York and the Roberts Enterprise Development Fund in San Francisco. These pioneers were followed by a number of other such groups in the mid- to late-nineties.<sup>37</sup>

Venture philanthropy (VP) has been defined as “a field of philanthropic investment that combines the policies and practices of long-term, engaged investment and venture capital models of the for-profit sector with the principles and public-benefit missions of the nonprofit sector.” While venture philanthropy groups vary in their specific strategies and operations, they share several key qualities and objectives. While one or more of these elements may be found in other grantmaking approaches, it is the combination of all of these characteristics that defines venture philanthropy:

#### *Capacity building*

VP focuses specifically on building the longterm capacity and infrastructure of a non-profit organization, rather than on funding special projects.

#### *Engagement*

VP is characterized by a direct, engaged, working relationship between the funder and grantee. Venture philanthropists sometimes become board members, or assume other direct, influential positions.

#### *Longterm investments*

In concert with the focus on capacity building, VP uses sustained, multi-year investment commitments rather than annual or “one-off” grants.

#### *Outcomes*

VP seeks to address one of the most difficult issues in philanthropy – knowing what difference an investment has made. VP practices include an explicit, in-depth focus on metrics and outcomes as one key element of success.

Venture philanthropy is a particularly apt model for investment in emerging or expanding non-profits that are in need of not just financial capital, but also human capital and expertise. VP’s application is analogous to the use of venture capital to support for-profit groups. Indeed, many of the challenges faced by new and expanding non-profits are similar to those faced by emerging or expanding for-profits – e.g., strategic planning, leadership, technology implementation, and

<sup>37</sup> A list of venture philanthropy organizations is available at [www.svpseattle.org](http://www.svpseattle.org) and several key organizations have been profiled in the annual reports of Venture Philanthropy Partners.

marketing. Venture philanthropists focus their human capital on these areas of organizational and operational capacity building.

### Global Use and Variations

The venture philanthropy approach appears to have wide and growing global appeal. A recent book by NESsT identifies a variety of foundations and funds outside of the United States employing the VP approach to investment, including Endeavor and the South-North Development Initiative in Argentina, the Fondo EcoEmpresa and Fondo Latinoamericano de Desarrollo in Costa Rica, Integra in Slovakia, and The Local Investors Fund and Charity Aid Foundation's Investors in Society in the United Kingdom. Quite recently, a group of prominent European venture capitalists have founded the European Venture Philanthropy Association (EVPA) to promote the development of venture philanthropy throughout the European community.

One of the most widespread models of venture philanthropy in the United States is that of Social Venture Partners. The SVP model was created in 1997, in Seattle, Washington, under the vision of Paul Brainderd, founder and president of the Aldus Corporation. Quite rapidly, SVP organizations began to develop throughout North America. By 2001, a loose network of SVP organizations had formed, and SVP International was established to support and advance the network. Currently, there are over 23 SVP organizations in the United States. Quite recently, groups from several other countries – including the United Kingdom and Italy -- have expressed interest in establishing similar organizations.

#### **Social Venture Partners**

The Social Venture Partners (SVP) model brings together worlds that typically do not overlap: grantmaking, volunteerism, nonprofit capacity building, and philanthropic education. Every SVP organization is formed of a network of people who believe that they can individually and collectively have a positive impact on their communities and organizations, and who are using innovative strategies to address complex community issues. SVP partners (or members) are individuals who want to make a meaningful contribution to nonprofit organizations – through sharing their skills, time and financial resources.

The SVP model has two mutually-reinforcing features: investment in community non-profits and mobilization of life-long, effective philanthropists. Investment activities seek to build long-term capacity of non-profits through investment of cash and expertise. SVP partners each make an annual contribution (many SVP organizations require a contribution of \$5000) and collectively decide how to invest the pooled money. Partners provide volunteer support in areas such as marketing, finance, technology, strategic planning, and human resources management.

The “promotion” activities of SVP organizations seek to mobilize a community of lifelong, informed, and inspired philanthropists. Through engagement with investees, connections with SVP partners, and participation in education events, partners are inspired to engage in broad, strategic philanthropy.

### Considerations for Global Use

Because the venture philanthropy movement is relatively new, its impact on grantees has yet to be analyzed and documented. Several challenges confront some new organizations:

#### *Internal capacity*

Ironically, while venture philanthropy organizations tout the importance of capacity-building initiatives, they themselves sometimes struggle with building and sustaining their own capacity, just like the non-profits they seek to support.

#### *Capacity constraints*

With its self-designated “high touch” strategy of engagement with its grantees, venture philanthropy requires a significant infusion of staff and volunteer resources to meet the needs of its portfolio. Mirroring a venture capital fund, which usually limits the number of investees to the high single digits, venture philanthropy organizations can only support a small number of grantees.

#### *Measuring results*

While performance measurement is central to venture philanthropy groups, there is no universal agreement on appropriate and effective methodology to assess impact. Because grantees typically leverage diverse funding sources in their operations, it is difficult to attribute results to any one donor. Some argue that it is not even feasible to collect these metrics.

### Resources

Several organizations, including NESST and the European Venture Philanthropy Association provide information, resources, and support to individuals and organizations interested in the venture philanthropy model. Social Venture Partners International supports a growing federation of SVP organizations through development of a shared mission, the provision of practical support, and the exchange of knowledge and best practices.

A list of venture philanthropy groups and related resources is included in the Resources section, *infra*.

### REGRANTING/ISSUE FUNDS

Several giving vehicles described earlier in this paper – e.g., community foundations, federated campaigns, and giving circles – are regranting organizations that generally target local or community causes. Other regranting organizations have begun to play a particularly important role in international philanthropic efforts, helping philanthropists address challenges in regions and nations sometimes beyond the ken and reach of the donor. Because international grantmaking poses unique challenges in identification of grantees, assessment of projects, and due diligence,

intermediaries can be indispensable in helping negotiate such challenges. Moreover, because many countries do not allow individuals to receive tax deductions for contributions to NGOs outside the country, an intermediary can help secure that deduction.

Many intermediaries focus on a specific global issue, e.g., children-at-risk, the environment, or women's rights. Others focus on a particular geographical area. Typically, intermediaries have their own "on-the-ground" infrastructure and/or international networks and provide donors with the assurance that funds are regranted to reliable organizations. In Europe, a new initiative of the King Baudouin Foundation aims to make cross-border giving within Europe practically effortless.

While funding intermediaries share a common role, their approaches differ widely. In particular, there are significant differences in the level of involvement an individual donor is allowed in determining how his/her funds are regranted. Such organizations also take very different approaches to their role as intermediary, and in the extent to which they wish to be facilitators of significant partnerships between donors and grantees. Regranting organizations can be organized by issue, geography, or even investment approach.

Several examples illustrate not only the range of issues but also the range of models employed by intermediary funds.

#### **GLOBAL GIVING INTERMEDIARIES**

##### ***Issue-based: The Global Fund for Women***

GFW raises funds and redistributes them to seed, support, and strengthen women's rights groups around the world. Donations are made to GFW which in turn determines where to redistribute the funds. Individual contributions may not be earmarked to support specific projects, programs, or countries. Since its inception in 1987, the Global Fund for Women has granted \$25.5 million to 2,000 women's groups in 161 countries. In the last fiscal year alone, the organization provided 363 grants totaling more than \$3 million to women's organizations in 92 countries."

##### ***Geographical focus: Give2Asia Foundation***

Give2Asia was established by the Asia Foundation in 2001 as an independent public charity to increase philanthropy to Asia. Focused on a geographical region rather than a beneficiary constituency, the model is unique in that it offers a wide array of charitable vehicles in one organization, and in that it allows donor involvement in the use of grants. Donors can establish a donor-advised fund, work with staff on custom program design and management, give to field-of interest or county funds, or make grants to specific pre-approved Asian charities.

##### ***Investment approach: Acumen Fund***

The effort seeks to link "new economy" donors to effective change strategies that target the root causes of global problems through a series of issue-focused portfolios. The first two portfolios target health technologies and economic and civic enterprise. AF intends to encourage donor engagement through an emphasis on feedback, communication, and education using a sophisticated website as a communication platform. Initial investors were asked to invest at least \$100,000 over two years, but the minimum contribution has since changed to incorporate a tiered investment model, accepting a range of donations from \$5,000 to \$100,000+.

Increasingly, grantmaking institutions within other countries can also facilitate "regranting" of international philanthropy. Such organizations include community foundations, specialist intermediaries such as the Foundation for the Development of Agriculture in Poland, and regional funds such as the African Women's Development Fund. Such in-country organizations may be more knowledgeable about local issues, more familiar with local organizations, and may offer lower administrative or transaction costs. They also have the potential to evaluate grant impact. However, for donors seeking a tax deduction for their gift, most of these organizations are not legally able to provide one.

### **Global Use and Variation**

As illustrated in the examples above, there are numerous operational models for re-granting intermediaries. While these groups share a common role as a mechanism for investing in foreign NGOs, their approaches differ widely. In particular, there are significant differences in the level of involvement an individual donor has in determining how his/her funds are regranted. Such organizations also take very different approaches to their role as intermediary, and in the way in which they choose to facilitate significant partnerships between donors and grantees.

### **E-PHILANTHROPY**

The emergence of the Internet has truly altered the philanthropic landscape and its impact on individual giving is certain to increase in years to come. E-philanthropy provides a fast, convenient, and knowledge-rich mechanism for giving; it has particular appeal to the growing "digital" population.

In 2000, the W.K. Kellogg Foundation released a report that described 140 Internet sites that "facilitate philanthropy, volunteerism, social change-making, and the development of nonprofit organizations. While the economic downturn of the past several years has led to the demise of many of those sites, new on-line giving portals are constantly emerging. According to the Initiative on Social Enterprise (ISE) at Harvard Business School, between 1999 and 2000 online donations skyrocketed from \$10 to \$250 million dollars. ISE has projected that by 2010 one-third of charitable giving will occur online. Many believe that e-philanthropy is destined to transform charitable giving in ways similar to e-commerce's impact on commercial transactions.

#### ***E-philanthropy's advantages include:***

##### ***Knowledge and information***

E-philanthropy provides donors easy and immediate access to information and knowledge on organizations as well as issues. Information can be updated frequently.

### *Privacy and convenience*

E-philanthropy allows philanthropic decisions to be made individually, privately, and conveniently.

### *Active engagement*

For donors who seek it, the Internet allows an opportunity for an active rather than a passive relationship between donor and grantee.

### *Integrated services*

E-philanthropy is not just about financial transactions. It can facilitate education and information, opportunities for volunteering, relationship building, networking, and activism.

### *While data on Internet giving are still limited, several trends are noteworthy:*

#### *Immediacy*

Internet giving seems to be particularly attractive when urgent action and quick responses are critical, e.g., in the case of natural or manmade disasters. In the wake of the September 11, 2001 disaster, e-philanthropy contributions in the United States soared. The power of combining conventional publicity and media with a philanthropic web address was demonstrated for the first time. The America Red Cross alone raised \$60 million (of \$200 million in total gifts) online; eight out of ten donors were reported to be giving online for the first time.

#### *New donors*

The Internet appears to attract donors who have not formerly been active or consistent givers, thus expanding the giving pool and building philanthropic capacity and depth.

#### *Higher levels of giving*

There is evidence (currently limited to the United States and the United Kingdom) to show that Internet donors are both more generous and more spontaneous than other kinds of donors.

### **Global Use and Variations**

While Internet use is clearly expanding rapidly around the globe, access and cost continue to vary enormously among countries and among economic and social groups within countries, although global observations and comparisons are difficult. It stands to reason, however, that e-philanthropy websites are more common in democratic societies and strong economies where both the philanthropic sector is well developed and the Net is relatively ubiquitous, e.g., the United States, the United Kingdom, Canada, Australia, South Africa, and India.

Outside of the United States and the United Kingdom, a large number of e-philanthropy websites still focus only on fundraising and giving, often with a limited selection of participating charities. Whilst sometimes deliberate – e.g., where the website is raising funds directed at a particular cause

or theme, for example - this often stems from the absence of a comprehensive and credible information source on charities operating within the specified country. Such databases appear to be strong catalysts for online giving, driving users to the Web to find them. Moreover, they tend to strengthen the entire philanthropic sector and are used by grantmakers, researchers and others. Corporate giving may be a particularly promising area for future on-line application in many world regions.

### Considerations for Global Use

Access to and the cost of computer technology and Internet services will continue to limit the reach and impact of e-philanthropy in most of the world for the foreseeable future. In addition, e-philanthropy is limited by varying degrees of "sector readiness." A mature e-philanthropy environment will require the emergence of a critical mass of NGOs with the will and the ability to create true web presence; even in the US and the UK today, only half of NGOs have a web presence. In many countries the easier option for charities that cannot act autonomously online may be to join an e-philanthropy portal with its own giving community.

In venues where the technology exists today, a further consideration is the human resources necessary to build and maintain an active and evolving website. To attract donors, e-philanthropy websites must add value that is greater than that of other vehicles. They must be informative, functional, dynamic and up to date. No such system can be maintained without constant human intervention.

Finally, if e-philanthropy is to support international giving, there will need to be modifications to existing tax and legal regimes around the world. Given the global reach of the Internet, nonprofit websites may otherwise find themselves attracting donors who believe they are entitled to tax advantages which are in fact unavailable. Easier, more transparent giving options will be needed.

### Resources

In the United States The ePhilanthropy Foundation was created to foster best practices, safety, and strong ethics in e-philanthropy. In the future it and/or organizations like it will need to establish a global presence.

## CONCLUSION

What does the future hold for global giving, for the growth of philanthropic capital in service to the society, for society's needy, and for all the other causes that social investing serves?

As this paper has attempted to illustrate, philanthropy's potential is – if not limitless – at the very least, huge. Social investing has multiple roles to play in addressing the global society's seemingly intractable challenges; its potential impact is greater than at any other time in world history. Moreover, were any additional evidence called for, one need look only to virtually any urban area on the planet to see that the dimensions of the human need are staggering. The situation calls out for creative, concerted, urgent action.

The rich variety of giving vehicles available to donors today is an asset to the field that we sometimes fail to fully appreciate. Just as the variety and diversity of donors and giving styles accounts for a great deal of the richness and robustness of social investing today, so too does the variety and diversity of giving tools facilitate and enhance the impact and the creativity of giving. As but one example, the emergence of women's giving circles, donor advised funds, venture philanthropy models, and community foundations, has invigorated and enriched US philanthropy beyond measure.

As the field continues to evolve, as donors seek new and different ways to become engaged in service to society, choice of giving vehicles will continue to be important. New challenges, new relationships between donors and NGOs, the emergence of donor networks, and new technologies will demand – and inevitably give rise to – new tools. Fortunately, the limits on the invention of such tools are circumscribed only by our imagination.

Despite the dynamic environment in which new vehicles are coming into being, despite the rich regional and cultural variations that account for the richness in the field today, the potential for further evolution is too promising to be left completely to chance. All those who value evolution in the field – and INSP has been among those at the forefront – will need to take it upon themselves to explore and test new models in the coming years. All of those who care about civil society, about social investing, and most importantly about the countless constituents we serve, will need to recommit to continued labor in the laboratories of social investing innovation.

The principal authors of this paper are the first to acknowledge that this paper is regrettably US-centric; it is, perhaps, the inevitable consequence of the world we inhabit. In the future it will be important to identify, build on, and test new and emerging models of giving in other countries and cultures. It is an ongoing challenge, but one which – if we are diligent and creative – will produce multiple benefits for civil society in decades to come.

## RESOURCES

The resource inventory that follows is not – nor is intended to be – comprehensive. It is selective, heavy with U.S. and European sources (reflecting the authors’ areas of expertise and practice), and in many places regrettably deficient in resources from elsewhere around the globe. The authors request that as new readers make use of this paper that they will suggest additional resources to the principle authors: Stephen and Paula Johnson, c/o The Philanthropic Initiative, Inc (sjohnson@tpi.org). Subsequent editions of the paper will be updated with new resources, as they are received.

### Direct Gifts

#### Databases/Research

*American Institute of Philanthropy: (www.charitywatch.org)*

Provides information on largest US nonprofits and rates/grades them according to a limited set of criteria.

*Better Business Bureau’s Wise Giving Alliance (www.give.org)*

Provides information on largest US nonprofits and rates/grades them according to a limited set of criteria.

*Charity Choice (www.charitychoice.co.uk):*

UK-based database of registered UK charities. Provides additional resources for both donors and nonprofit organizations.

*Guidestar: www.guidestar.org*

Database of registered US charitable organizations. Widely recognized as key US resource for finding/vetting nonprofit organizations. Updated regularly. Also includes other research resources for individual donors as well as foundation and corporate grantmakers.

*Network for Good: www.networkforgood.org (formerly Helping.org)*

Online resource for giving to charities registered with the US IRS. Recognized as the “industry standard” for US online giving, as 100 percent of donations go to the recipient nonprofit organization; credit card transaction costs are paid by AOL/Time Warner Foundation.

*Stiftungs Index (Germany): www.stiftungsindex.de*

Database of registered charities as well as resources and links (both for Germany and the United States) to other giving sites. As of this writing, this site is still under development but has links to nearly 1,000 German charitable organizations.

### **Federated Funds**

*United Way International (www.uwint.org)*

Information about independent United Way affiliates throughout the world. Includes country-specific page with information about each group's operations.

*United Way – US (www.unitedway.org)*

National site for 1,400 US-based United Way affiliates. Allows site visitors to search for and link to affiliated organizations.

### **Foundations**

*Asian Foundations, by Barnett Baron. (2000)*

Provides an overview of Asian philanthropy as it has evolved over the past 50 years. Includes both general trends as well as country-specific information.

*Asia Foundation (www.asiafoundation.org)*

The Asia Foundation works to advance the intersecting philanthropy interests of the United States and Asia Pacific. In addition to making grants in a number of program areas, the Asia Foundation conducts research on philanthropy in the region and publishes reports on its findings. See <http://www.asiafoundation.org/publications/index.html>.

*Asian Pacific Philanthropy Consortium (www.asianphilanthropy.org).*

Established in 1994, APCC is a network of like-minded organizations dedicated to promoting the flow and effectiveness of philanthropy in the region.

*Council on Foundations (www.cof.org)*

Membership association for grantmaking foundations and corporations. Also conducts and publishes research on foundations.

*Foundations in Europe. Bertelsmann Foundation (2001)*

Provides comprehensive overview of the foundation community in Europe. Includes historical perspective by country with growth expectations and statistics for each.

*The Foundation Center (www.fdncenter.org)*

Provides research on foundations. Offers database of U.S. foundations, including corporation foundations.

*Worldwide Initiative for Grantmaker Support (WINGS) ([www.wingsweb.org](http://www.wingsweb.org))*

International network of over 95 associations serving grantmakers. Goal is to “create opportunities to learn from and support one another; develop modes of communication and collaboration; and contribute to the strengthening of philanthropy worldwide.”

### **Private & Family Foundations**

*The Charitable Giving Handbook, Prince et al. National Underwriting Company, 1997.*

Provides overview of various traditional giving vehicles for wealthy individuals and family foundations. Relevant primarily for U.S. audience.

*Council on Foundations ([www.cof.org](http://www.cof.org))*

Publication: First Steps in Starting a Foundation, Washington, DC. A guide for individuals who are considering establishing their own foundation. Available for purchase at website.

*Forum of Regional Associations of Grantmakers (<http://www.rag.org>)*

Publication: Establishing a Private Foundation, Washington, D.C. A guide for individuals who are considering establishing their own foundation. Available for purchase at website.

*Foundation Source ([www.foundationsource.com](http://www.foundationsource.com))*

Web-enabled resource for the establishment and management of private foundations. Founded in 2001, Foundation Source is being used by several banks and by the Institute of Family Foundations.

### **Asian Foundations**

*Emerging Philanthropies in East Asia, by Barrett Baron (1995)*  
*(<http://www.cgip.org/cgplink/vol05/articlesvol05.html>)*

Discusses historical and current trends in East Asian Philanthropy and their implication on giving in the region.

### **Community Foundations**

*Council on Foundations – Community Foundations ([www.cof.org](http://www.cof.org))*

Offers services to US-based community foundations.

*Community Foundations of America ([www.cfamerica.org](http://www.cfamerica.org))*

Relatively new (1999) organization that focuses on assisting US-based community foundations. Products and services focus on technology, market research, accountability, marketing, etc.

*Community Foundation Locator <http://www.communityfoundationlocator.org/search/index.cfm>*

Database of community foundations throughout the US, sponsored by Council on Foundations.

*Community Foundation Initiative, Germany [www.buergerstiftungen.de](http://www.buergerstiftungen.de)*

*Community Foundation Network, United Kingdom [www.wingsweb.org/network/profiles\\_view](http://www.wingsweb.org/network/profiles_view)*

*Community Foundations of Canada ([www.community-fdn.ca](http://www.community-fdn.ca))*

*Community Philanthropy Initiative, European Foundation Center ([www.efc.be](http://www.efc.be))*

*[www.cof.org/files/Documents/Newsletters/ InternationalDateline/ID2ndQuarter03](http://www.cof.org/files/Documents/Newsletters/InternationalDateline/ID2ndQuarter03)*

*WINGS Network (<http://www.wings-cf.org/>)*

Part of WINGS. Composed of organizations that are supporting the development and work of community foundations throughout the world. Currently over 60 organizations participating in this initiative.

### **Donor Advised Funds**

*Maecenata Institute*

*“Unselbständige Stiftungen in Kommunalen Trägerschaft”, September 2000.*

*Frank Adloff, Agnieszka Rembarz, Rupert Strachwitz.*

*Donor-Advised Funds, by Elfrena Foord*

*FPA Journal - 2003 November Issue - Contribution: Philanthropy 101*

### **Giving Circles**

*Giving New England ([www.givingnewengland.org](http://www.givingnewengland.org))*

Offers a “Giving Circle Starter Kit” that guides individuals or groups that are establishing a giving circle. Not New England-specific.

*Minnesota Toolkit for Giving: “Ten Steps for Starting a Giving Circle.” (<http://www.minnesotagiving.org/options/circlesteps.htm>)*

Provides step-by-step process for setting up a giving circle.

### **Women’s Giving Circles**

*A Plan of One’s Own: A Woman’s Guide to Philanthropy Giving New England*

*<http://www.givingnewengland.org/aplanofonesown.pdf>*

Offers comprehensive overview of women’s philanthropy, including giving circles.

### **Women’s funds:**

Brazil: Angela Borba, Fundo de Recursos para Mulheres (Resources for Women Fund), Rio de Janeiro

Chile: Colective Alquimia (Alchemy Collective), Santiago  
China: Hong Kong Women's Fund  
Ecuador: Fundacion Chasquinet – Ninos de la calle (Chasquinet Foundation, Street Children), Quito  
Ghana: African Women's Development Fund  
Guatemala: Asociacion Mujeres en Accion (Association of Women in Action), Chimaltenango  
India: Nirnaya, Indian Women's Trust  
India: Nishta  
Mexico: Semillas – Sociedad Mexican Pro Derechos de la Mujer (Seeds – Mexican Society for the Rights of Women)  
Mongolia: Mongolian Women's Fund, Ulaanbaatar  
Nepal: Tewa, Kathmandu  
South Africa: Pitseng Trust, Women in Motion, Braamfontein  
South Africa: WHEAT Trust - Women's Hope, Education and Training Trust Observatory, Cape Town  
Ukraine: Ukrainian Women's Fund, Kiev  
Zimbabwe: Girl-Child Network Zimbabwe, Chitungwiza

### Young Philanthropists

*InTandem* ([www.intandem.org](http://www.intandem.org))

Young professionals' venture philanthropy giving circle in San Francisco.

*Taproot Foundation* ([www.taprootfoundation.org](http://www.taprootfoundation.org))

### Venture Philanthropy

*Venture Philanthropy 2002: Advancing Nonprofit Performance Through High-Engagement Grantmaking. Community Wealth Ventures*  
(<http://www.venturephilanthropypartners.org/learning/reports>)

Examines lessons learned in venture philanthropy. Includes series of essays by funders, recipients, and leaders in the field. This is third report over the past three years.

*If Pigs Had Wings, by Bruce Sievers, Foundation News and Commentary (1997).*  
(<http://int1.cof.org/fnc/67sievers.html>)

Provides critical assessment of venture philanthropy as a funding mechanism. Focuses in particular on the dangerous comparisons between venture capital and venture philanthropy.

*Nonprofit Enterprise and Self-Sustainability Team (NESST)* ([www.nesst.org](http://www.nesst.org))

Organization focused on expanding and improving nonprofit financing (as opposed to more narrow "fundraising" approach). Conducts research and publishes on new models of financing and self-sustainability, including the venture philanthropy model.

*Venture Philanthropy UK, Philanthropy UK (2002)*

*(<http://www.philanthropyuk.org/documents/vppaper29aug.doc>)*

Research paper highlighting results of 2002 workshop on venture philanthropy hosted by Philanthropy UK. Investigates the possibility of planning a venture philanthropy conference in UK; concludes that UK market is not yet ready for such an event.

*Venture Philanthropy: The Future of Philanthropy or Misguided Hubris?, by Nicole Etchart and Lee Davis. Alliance 7 (2002). (<http://www.nesst.org/docs/Prophets%20for%20Nonprofits%20Alliance%20Magazine%20June%202002.pdf>)*

Provides critical assessment of venture philanthropy as it has evolved to date.

*Resources Generally - [www.svpseattle.org/resources/Resources\\_Venture\\_Philanthropy.htm](http://www.svpseattle.org/resources/Resources_Venture_Philanthropy.htm)*

*Publications - [www.redf.org/pub\\_intro.htm](http://www.redf.org/pub_intro.htm)*

*Reports on the Venture Philanthropy Field -*

*[www.venturephilanthropypartners.org/learning/reports/index.html](http://www.venturephilanthropypartners.org/learning/reports/index.html)*

*Education VP Resources - [www.newschools.org/resources/links.html#Other%20Venture%20Philanthropy%20Organizations](http://www.newschools.org/resources/links.html#Other%20Venture%20Philanthropy%20Organizations)*

### **Supporting Organizations**

*The Charitable Giving Handbook. Prince et al. National Underwriting Company, 1997.*

Provides overview of various traditional giving vehicles for wealthy individuals, including family foundations. Caters primarily to U.S. audience.

### **Re-Granting Organizations**

*United Way International (UWI): [www.uwint.org](http://www.uwint.org)*

Provides information on independent United Ways around the world. UWI was created in 1974 to respond to companies and donors wishing to develop philanthropy programs with global reach. Website includes list of countries with UWI affiliates as well as detailed descriptions of UW's operations in each country. For more information, see appendix.

### **Regranting Organizations for/by Women**

*Global Fund for Women ([www.globalfundforwomen.org](http://www.globalfundforwomen.org))*

Website for this regranting organization, the largest regranting organization for women's causes worldwide.

### ***United Way***

*United Way – US (www.unitedway.org)*

National site for 1,400 US-based United Way affiliates. Allows site visitors to search for and link to affiliated organizations.

### **e-Philanthropy**

*Network for Good: www.networkforgood.org (formerly Helping.org)*

Online resource for giving to US charities. Recognized as the “industry standard” for US online giving; 100% of contributions go to the recipient nonprofit organization; credit card transaction costs are paid by AOL/Time Warner Foundation.

*e-Philanthropy, Voluntarism, and Social Changemaking: A New Landscape of Resources, Issues, and Opportunities. W. K. Kellogg Foundation. (2000)*

Provides overview of e-philanthropy in 2000, including a compilation of 140 sites that offer e-giving.

Note: this list of resources is now outdated, as many of the sites listed in the report no longer exist.

### ***United Kingdom***

[www.givenow.org](http://www.givenow.org)

[www.allaboutgiving.org](http://www.allaboutgiving.org)

[www.justgiving.org](http://www.justgiving.org)

[www.workwithus.org](http://www.workwithus.org)

[www.do-it.org](http://www.do-it.org)

### ***United States***

[www.networkforgood.org](http://www.networkforgood.org)

[www.justgive.org](http://www.justgive.org)

[www.volunteermatch.org](http://www.volunteermatch.org)

### ***India***

[www.icicommunities.org](http://www.icicommunities.org)

[www.givefoundation.org](http://www.givefoundation.org)

### ***Australia***

[www.donations.com.au](http://www.donations.com.au)

[www.egive.org.au](http://www.egive.org.au)

### ***South Africa***

[www.givengain.com](http://www.givengain.com)

*Canada*

[www.canadian-charities.com](http://www.canadian-charities.com)

<http://www.canadahelps.org>

## ABOUT THE AUTHORS

### **Paula Doherty Johnson**

Paula Doherty Johnson is a Senior Fellow at TPI and a Research Fellow to the Global Equity Initiative at the Kennedy School of Government at Harvard University. She has twenty years of experience in international development programs to strengthen civil society and educational reform, and philanthropy. She has been a senior project manager for international programs at the Educational Development Center in Newton, Massachusetts, the Harvard School of Public Health, and the Fund for Private Assistance in International Development in Washington, DC. Paula has also served as a consultant to the U.S. Committee for the United Nations Environment Program. She is a trustee and director of the Kelsey Trust, a private foundation that focuses on issues of education, children-at-risk, and the environment in the Champlain Valley (Northwest Vermont and Northeast New York). She is a graduate of Brown University (B.A. 1980) and the London School of Economics (M.Sc. 1987).

### **Stephen P. Johnson**

Steve Johnson is a Vice-President at TPI, has a background in philanthropy, law, public policy, and education. His work at TPI focuses on helping families, foundations, and corporations define and achieve their strategic philanthropic objectives, and on advancing the scope and quality of philanthropy. He also leads TPI's efforts to enhance the professional advisor's role in advancing philanthropy, a subject on which he is a regular writer and speaker. In addition to his work at TPI, for the last 15 years Steve has served as the managing trustee of his family's foundation, which focuses on the people and the environment of the Lake Champlain Basin. Prior to joining TPI, Steve spent 20 years in law, public policy, education, and long-range planning. As a lawyer he worked in corporate litigation, as counsel to the U.S. Senate, as a government-relations professional, and as the director of and consultant to numerous justice reform commissions around the nation. Steve serves on numerous non-profit boards, among them Associated Grant Makers, Massachusetts Citizens for Children, and Giving New England. He is a graduate of the University of Pennsylvania (BA, 1974) and the University of Virginia School of Law (JD, 1979).

## INSP TITLES

The Role of Philanthropy in Globalization  
*Helmut Anheier, Adele Simmons*

Promoting Philanthropy: Global Challenges and Approaches  
*Paula D. Johnson, Stephen P. Johnson, Andrew Kingman*

Effective Foundation Boards – The Importance of Roles  
*Christine W. Letts*

Theories of Change  
Theories of Social Change: Background Paper  
*Diana Leat*  
The INSP *Theory Of Change Tool* Manual

Philanthropy Program Design  
*Richard Mittenthal*

The Role of Evaluation in the 21<sup>st</sup> Century Foundation  
*Edward Pauly*

Who Comes to the Table? Stakeholder Interactions in Philanthropy  
*Tomas E. Backer, Ira Barbell, Ralph Smith*

Management Practices surrounding Program Professionals in US and European Foundations  
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Tools for Good: A Guide to Vehicles for Philanthropy and Charitable Giving  
*Paula D. Johnson and Stephen P. Johnson*