

# GLOBAL TRENDS IN CHARITABLE GIVING: ONE STEP FORWARD AND TWO STEPS BACK

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## INTRODUCTION

2014 was a mixed year in the global environment for charitable giving. Rapidly rising engagement in charitable activities in some transitioning and developing economies raised hopes of a global surge in private donations to civil society organisations (CSOs). However, a tide of regressive laws that limit the financial and operational independence of CSOs risks choking the growth of a global culture of giving.

In producing the World Giving Index (WGI), The Charities Aid Foundation's annual report tracking participation in charitable activities around the world, we have noted a slight overall decline in the proportion of people giving money to CSOs. However, when we look only at transitional economies, we see an increase. The generosity of a new generation of young, middle class donors in fast growing economies has the potential to plug the gaps left by changing patterns in Official Development Assistance (ODA). But if current trends for government interference through politicised regulation, the choking of advocacy and campaigning, and the raising of barriers to foreign funding are not addressed, we may look back at the current period as a time of missed opportunity.

## THE WORLD GIVING INDEX

In the same way that democracy has value to society above and beyond the policies of the governments it elects, civil society should be about more than the outputs it produces. The ability and willingness of

citizens, either individually or collectively, to commit their money, time and energy in the support of their chosen cause is fundamental to the existence of civil society. It is for that reason that the findings of the 2014 WGI, in conjunction with a more in depth understanding of global trends in giving and the legal environment in which CSOs operate, should be of interest to all.

The Charities Aid Foundation (CAF) is an international CSO that exists to help improve the environment for, and provide services that facilitate, charitable and philanthropic giving. The WGI, one of our flagship pieces of research, is an annual report that uses Gallup World Poll data to assess the proportion of people who report having given money to charity, volunteered time and helped a stranger in the month prior to being surveyed. These three simple measures are averaged to produce a WGI score on every country where data is available, constituting the world's only index on charitable behaviour. The 2014 WGI, the fifth edition of the report, ranked 135 countries.

The methodology is not complex. We do not weight our data for economic factors; nor do we attempt to factor in country level context. This is deliberate. The simplicity of the methodology allows anyone who reads our index to understand what is being measured, and make their own judgements. In addition, though the tendency to focus on wealth and the amount of money raised for causes is understandable, we believe that the WGI offers an opportunity to recognise the importance of mass engagement in charitable activities.

Myanmar demonstrates the value of this recognition. For a country with a low ranking on the UN Human Development Index (150<sup>th</sup> on the 2014 index) to share

the top spot in the WGI with the USA might seem counterintuitive at the surface, but in fact reveals a remarkable truth. In Myanmar, 5% of the population live monastic lives (known as Sangha), which are entirely funded by donations from lay devotees (Sangha Dana) of the Theravada school amongst the mostly Buddhist (88%) population. Perhaps reflecting this, 91% of Burmese people said that they had given money to charity in the month prior to being surveyed - a clear 13 percentage points ahead of Malta, in second place for that measure. In comparison, the USA achieved the same overall WGI score of 64% by performing well across the board. It was the only country to rank in the top 10 for all measures. The highest and lowest ranking countries are as follows.

**Table 1. Top 10 WGI 2014 countries**

RANK	COUNTRY
1	Myanmar
	USA
3	Canada
4	Ireland
5	New Zealand
6	Australia
7	Malaysia
	UK
9	Sri Lanka
10	Trinidad and Tobago

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**Table 2. Bottom 10 WGI 2014 countries**

RANK	COUNTRY
126	Bulgaria
	Russia
128	China
	Turkey
130	Croatia
	Montenegro
132	Ecuador
133	Palestinian Territory
134	Venezuela
135	Yemen

Worryingly, the proportion of people giving money to charity fell slightly in the 2014 index by 0.6 percentage points, which seems to reflect the slight fall in global GDP growth rate reported between 2012 and 2013 (surveys for the 2014 report were carried out in 2013). Analysis of global giving over the past five years shows that our three measures usually rise or fall in unison, dipping in 2009, the year after the 2008 financial crisis, recovering in 2010, and then falling again sharply in 2011, before rising again in 2012 and 2013. Strikingly, even though the percentage of people giving money to charity has fallen slightly in this year's index, the proportion of people volunteering and helping a stranger has improved.

Though fluctuations in the economy clearly seem to have an impact on giving on a global scale, the

2014 WGI also shows that any notion that generosity might be directly linked to wealth is deeply flawed. While there is a relationship between wealth and the proportion of people giving money to charity, that relationship is relatively weak. Just five of the countries in the top 20 are members of the G20, the group representing the world's largest economies. Eleven G20 countries are outside the WGI top 50, and three of these are outside the top 100. Meanwhile eight countries classified by the World Bank as low income nations rank in the top 20 of the WGI.

So while income is certainly a factor in people's ability to engage in charitable activities, there must be deeper underlying conditions driving such divergent WGI data. It is of paramount importance that we gain an understanding of what, if any, are the universal conditions that create an enabling environment for giving, if we are to ensure the future health of civil society around the world as we undergo one of the most dramatic socio-economic transitions in history.

## POSITIVE TRENDS

A 2010 report published by the Organisation for Economic Cooperation and Development (OECD) Development Centre contained a stunning projection.<sup>1</sup> It estimated that the number of middle class people, which they defined as, "households with daily expenditures between US\$10 and US\$100 per person in purchasing power parity terms," would increase by 165% by 2030, and that 70% of this growth would occur outside Europe and North America. The first report of CAF's Future World Giving project, which seeks to establish what governments can do to create an enabling environment for giving,

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extrapolated from this figure to calculate that if this future cohort of middle class people were to dedicate 1% of their expenditure to charitable causes, it could yield a staggering US\$550bn in resources for global civil society.<sup>2</sup> More important still, such mass participation in giving could create a more robust and accountable civil society, with the legitimacy to stand up to power.

There is some cause for optimism that such a future could come to pass. Transitional economies - nations that have developed sufficiently to no longer be considered as developing countries but are not yet on a par with advanced economies - have seen growth in all three measures of generosity in this year's WGI, with the proportion of people donating money to a charity bucking the global negative trend and growing by 2.6%. Populous transitioning economies such as India, Pakistan, the Philippines, South Africa and Vietnam have seen strong growth over the past five years of WGI data. India has added nine percentage points to its score, in terms of the proportion of people giving money to CSOs (28%), and has moved up in the overall rankings from 71<sup>st</sup> place in 2010 to 52<sup>nd</sup>. South Africa, a nation with a strong cultural tradition of giving, on which formal civil society infrastructure could one day flourish, has seen the number of people giving money increase by eight percentage points to 23%, which, added to already strong numbers in helping strangers, has seen it rise from 76<sup>th</sup> to 34<sup>th</sup> on the overall rankings over the same period.

There has also been strong growth in charitable engagement in a number of former Soviet and Eastern Bloc countries. Of the 20 nations that have seen the largest increases in the proportion of people

giving money to charity in the past five years, 11 of them were at some point part of the Soviet sphere of influence. In most cases these nations have seen dramatic rises from a low base, due to the almost non-existent status of an independent institutional civil society before the 1990s. The creation and amendment of laws relating to civil society, particularly in nations that have become part of the European Union, may well have helped to spur greater engagement in giving.

The role of young people in driving levels of giving in fast-growing transitioning economies is worth noting. If we look at two groupings often used by economists, the BRICS (Brazil, Russia, India, China and South Africa) and the Next 11 (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam), we see that the gap between the proportion of 15 to 29 year-olds giving money to CSOs every month and the proportion of older generations doing the same is no greater than five percentage points in any of these countries. Contrast that with the rich countries of the OECD, where the gap between the 15 to 29s and the over 50s is 15 percentage points. Whilst this generation gap may be a cause for concern in wealthier nations, the more balanced contribution of young people in transitioning economies may offer a cause for optimism about the future of civil society in these countries.

## NEGATIVE TRENDS

The growth in the proportion of people engaging in charitable giving in developing and transitioning economies is timely. ODA by governments has now

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recovered to record levels following a sharp fall in the wake of the global financial crisis. However, the profile and nature of that aid is changing. Much of the recent increases in ODA have come in the form of loans rather than grants. Worryingly, aid to two-thirds of Sub-Saharan African countries is projected to decline over the next few years.<sup>3</sup> In this changing and less predictable context, many CSOs will find it increasingly difficult to find stable project funding from foreign aid agencies. As such, the health and continuing development of domestic, private philanthropy markets will be critical to CSO sustainability in many countries.

For some of the poorest nations, the reduction in ODA has left CSOs in an extremely vulnerable position as

state for funds places much power in the hands of governments. Governments inevitably fund CSOs that deliver against their specific agendas, and as such, the CSO community in a nation where much of the funding comes from the state can be distorted, to the point where the public perceives the independence of CSOs to have been compromised. And these fears may be well-founded: some governments are openly using the threat of losing funding as a way of silencing criticism of government policy, which has a chilling effect on the advocacy activities of CSOs.

The use of public funds to reward CSOs that align well with the agendas of governments might seem logical, and even democratically justifiable, on the surface, but such a conclusion is misguided. Civil society, by

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they face a funding gap that often threatens their very existence. In some countries this gap has been partially filled by domestic governments, but this brings its own challenges. Government funding for CSOs can of course be very positive. If governments recognise the additional social value that CSOs can bring, and choose to support them with sustainable funding so that they continue their work, the relationship can be mutually beneficial, not least for those the CSO reaches. However, an increased reliance on the

definition, operates outside the state, at the nexus between the public and private spheres. A healthy civil society, including CSOs, should be championed by the state for the benefits that it provides in societal cohesion and wellbeing, and in the improvements it brings to policy development and the governance environment more broadly.

However, increasingly, governments are attempting to take a more narrow view of the value of CSOs, as

delivery agents of public services. Some governments, for example, force all CSOs to register formally.

This trend is particularly prevalent in Sub-Saharan Africa, where Uganda, to give one example, makes registration mandatory, and where the NGO Board has full discretion over applications. A number of countries have a very narrow list of causes and activities that are permitted for registered CSOs, a phenomenon that has long been common in the Middle East. Mandatory registration, which creates the counter threat of deregistration, is also becoming prevalent in South East Asia, where a 2013 law in Indonesia, which gives the government the authority to dissolve CSOs, follows in the footsteps of laws in other nations in the region, such as Cambodia.

The use of tax incentives to encourage individuals to give money to CSOs has been shown by Rules to Give By, a recent study by CAF, Nexus and McDermott Will & Emery, to be both widespread and effective. Sixty-six per cent of countries have such incentives in place, and those that do see a higher average proportion of people giving money to charity (33%) than those that do not (21%). This effect is seen at all levels of the economic spectrum.<sup>4</sup> However, many nations, including Brazil, China and Turkey, offer incentives only on donations to CSOs that deliver on specific government projects or agendas. As stated above, while in democratic contexts this might seem a legitimate step for a government to take, it has the consequence of distorting the financial playing field for CSOs and artificially skewing support away from CSOs that might challenge the status quo.

Sadly, much of the regressive policies instituted have at their heart an intolerance of CSO advocacy, when it is critical of government policy. Globally,

there seems to have been a conflation of political advocacy with partisan political and electoral lobbying. To some extent, CSOs could be seen as partially culpable for this, as often we justify the freedoms and financial advantages afforded to CSOs on the basis of the services we provide, rather than on the rights and freedoms within civil society. Any sense that this stems from a reticence by donors about CSOs engaging in advocacy is, however, not supported by evidence. Research by Globescan shows strong support amongst the 15 countries it surveyed, covering every global region, for environmental and social groups 'publically criticising government' (73%) and 'influencing public policies' (67%). Indeed, support for these actions increased by 4% and 6% respectively between 2008 and 2012.<sup>5</sup> Fundamentally, while donors are principally motivated by causes, they give to bring about change. When they don't feel that CSOs are free to utilise all the tools in their armoury, including advocacy, they may be less likely to give.

Finally, one of the most disturbing recent trends in the funding environment for CSOs is the crackdown on the receipt of foreign funding by organisations engaging in advocacy. In 2013, Maina Kiai, UN Special Rapporteur on the rights to freedom of peaceful assembly and association, highlighted "... increased control and undue restrictions" on funding, particularly foreign funding, as one of the issues that he was most concerned about.<sup>6</sup> As reported in CAF's report, Enabling an Independent Not-for-profit Sector,<sup>7</sup> the situation has worsened significantly since then. Following the lead of Russia, nations from across the globe, including Azerbaijan, Egypt, Hungary and Kenya, to name but a few, have taken steps towards restricting the flow of funds from foreign donors to organisations that publicly criticise

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their policies. In a recent worrying example, India's government attempted to seize international funding for Greenpeace India.<sup>8</sup>

## THE WAY FORWARD

Recently there have been a number of extremely negative developments, both in the ability of citizens to engage in acts of giving, and in the wider funding environment. However, in the long run, with increased affluence and access to information, people can be expected to be more generous, and at the same time, demand improvements in the environment for giving. Efforts by governments to undermine the financial independence of CSOs may ultimately come to be seen as misguided attempts to hold back the tide. In this light, despite the mounting legal barriers faced by CSOs, the funding environment could be set to improve.

Despite this optimism for the future, there are a number of developments that need to occur to

ensure that the conditions are in place to engage people in charitable giving as they transition into relative prosperity. Some of these are continuations of existing positive trends, such as improved transparency and governance in CSOs, more strategic and sustainable approaches by donors, and the greater use by CSOs of mass communication technologies and media to share information and messages about the work that they do. But in addition, we need to start a global conversation about the value of civil society and the impact of government policy on the development of a vibrant, diverse and independent CSO community that offers more to society than the sum of the services it provides.

Finally, CSOs need to reclaim our right to campaign for the causes in which we believe, and be willing to speak out in solidarity when the independence of other organisations - even those with which we disagree - is being threatened.

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1 H Kharas, The Emerging Middle Class in Developing Countries, Working Paper No. 285, OECD Development Centre, 2010.

2 Charities Aid Foundation, Future World Giving: Unlocking the Potential of Global Philanthropy, 2013.

3 OECD, 2014 Global Outlook on Aid: Results of the 2014 DAC Survey on Donors' Forward Spending Plans and Prospects for Improving Aid

Predictability, 2014.

4 Charities Aid Foundation, Nexus, McDermott Will & Emery, Rules to Give By: A Global Philanthropy Legal Environment Index, 2014.

5 Data from GlobeScan RADAR 2012, Wave 2: Issues and Reputation.

6 On 30 May 2013, the UN Special Rapporteur on the rights to freedom of peaceful assembly and association, Maina Kiai, presented his second

thematic report to the United Nations Human Rights Council. As reported by the International Center for Not-for-profit Law, <http://www.icnl.org/research/trends/trends4-2.html>.

7 Charities Aid Foundation, Future World Giving: Enabling an Independent Not-for-profit Sector, 2014

8 'NGOs fear government crackdown amid Greenpeace India battle', The Financial Times, 16 January 2015,

<http://www.ft.com/cms/s/0/8b7a1492-9cbc-11e4-a730-00144feabdc0.html>.