The Changing Landscape of U.S. Cross-Border Philanthropy

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The Lilly Family School of Philanthropy at IUPUI is dedicated to improving philanthropy to improve the world by training and empowering students and professionals to be innovators and leaders who create positive and lasting change. The school offers a comprehensive approach to philanthropy through its academic, research and international programs and through The Fund Raising School, Lake Institute on Faith & Giving, the Mays Family Institute on Diverse Philanthropy and the Women’s Philanthropy Institute. Follow us on Twitter @IUPhilanthropy or “Like” us on Facebook.

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USAID’s Office of American Schools and Hospitals Abroad (USAID/ASHA) provides assistance to schools, libraries and medical centers outside the United States that serve as study and demonstration centers for American ideas and practices. USAID/ASHA’s record of contributing to and building connections with vibrant networks of civil society institutions extends through 26 U.S. Congresses and 18 presidential administrations. USAID/ASHA currently manages a worldwide portfolio of approximately 110 awards and is an invaluable complement to USAID’s wide-ranging development work. Learn more about us: USAID/ASHA.

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Introduction

The Indiana University Lilly Family School of Philanthropy (school) is conducting a research project on U.S. cross-border philanthropy that will provide the U.S. Forest Service (USFS), USAID, and other stakeholders a comprehensive landscape of emerging trends in international partnerships and cross-border philanthropy.

This project has four main goals. First, it will expand knowledge on U.S. cross-border philanthropy to promote achievement of the objectives of the U.S. Government (USFS, USAID, and others) and the school. Second, it will provide a comprehensive landscape of how funding has changed over time and geography, and identify emerging trends in international partnerships and cross-border philanthropy for US Forest Service partners, United States Agency for International Development/American Schools and Hospitals Abroad (USAID/ASHA) partners, and other organizations that have a similar mission and scope. Third, it will identify the policy levers that positively or negatively influence the capacity and propensity of individuals and organizations to engage in cross-border philanthropic activities. Lastly, it will inform USAID/ASHA partners, practitioners, policymakers, scholars, and the general public of the findings from research projects and offer opportunities for greater discussion about the key topics involved.

This project seeks to achieve the above goals through a review of existing academic literature, an analysis of existing data on U.S. international giving, and an analysis of data on USAID/ASHA grants. The report is organized as follows:

I. Key Findings

II. Recommendations and Future Research Questions

III. USAID/ASHA Partners’ Feedback

IV. Literature Review
   1. The Nonprofit Sector: Typologies of Nonprofit Organizations in the United States and around the Globe
   2. Roles of the Nonprofit Sector and the Three-Failures Theory
   3. Funding of Nonprofit Organizations
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Objectives of Research

This report provides an overview of existing academic literature on global philanthropy and international partnerships as well as an analysis of existing data on U.S. international giving and an analysis of data on USAID/ASHA applicants and grantees. As a broad environment scan, the literature review centers on relevant publications released in the United States, chosen to represent the general picture of global philanthropy and international partnerships.

The project team also collected and analyzed data on U.S. international giving and USAID/ASHA partner organizations. Although valuable data were provided by USAID/ASHA and other partner organizations, the small sample size precluded the research team from providing further significant analysis, especially trends over time and cross-sectional results. However, the final report will help lay a foundation for a future longitudinal study.

Finally, although additional perspectives would have provided valuable insight on this topic, such as risk assessment for international partnerships and the impact of public policies on funding and cross-border collaborations, time and budget constraints also limited the scope of the literature review and the number of data analyses that could be conducted for this report.

This research paper incorporates the environmental scan, the analytical report, and the summary of USAID/ASHA partners’ feedback.
I. Key Findings

Terms and typologies used to identify nonprofit organizations vary both domestically and internationally. Nonprofit organizations play a major role in the U.S. and global economies. While the role and responsibilities of nonprofit organizations are widely acknowledged at local, national, and international levels, the terms and typologies used to characterize them differ from country to country. The different definitions show the diversity of the sector but can also cause challenges to find appropriate typologies for international research.

Funding sources for nonprofit organizations working internationally have become more diverse in the last decade. U.S. community foundations, donor-advised funds and impact investing organizations have begun to support international and global causes to address societal and economic needs.

Technological innovations enhance cross-border philanthropy and public-private partnerships. Online giving to international affairs organizations has been increasing, and more than 50 countries joined the #GivingTuesday movement to raise funds through social media and collaboration in 2018.

Charitable contributions to U.S.-based international organizations increased significantly in the last 30 years. Charitable contributions from U.S. individuals, bequests, corporations, and foundations to international affairs organizations have increased since 1982, except in 2009, 2010 and 2017. International giving as a percentage of total U.S. household giving had a steady, modest increase between 2002 (1.0 percent) and 2014 (1.4 percent).

The overall global environment for philanthropy has improved, the 2018 Global Philanthropy Environment Index published by the Lilly Family School of Philanthropy found. However, restrictive regulations on cross-border philanthropy have hindered the environment for international collaboration and partnerships. These restrictions, which often target cross-border charitable contributions, seem to negatively affect the funding resources of nonprofit organizations with an international focus.

USAID/ASHA grant funding tends to be higher in countries that have a positive overall philanthropic environment, and particularly in those with more positive socio-cultural environment for philanthropy. Data analysis for the new study reveals a positive relationship between the amount of the awards received by USAID/ASHA grantee partner organizations and the overall Global Philanthropy Environment Index scores of the countries where grantee partner organizations operate.

USAID/ASHA grantees tend to have been founded earlier and have more assets and higher revenue than unsuccessful applicants. The data analysis shows consistent patterns in organizational characteristics between USAID/ASHA grantees and unsuccessful applicants between 2015 and 2017. The average founding year for grantees is 1977 compared to 1992 for unsuccessful applicants; the average asset size among grantees is $603.8 million versus $401.3
million among unsuccessful applicants; and the average revenue size among grantees is $296 million compared to $193.7 million among unsuccessful applicants.

**U.S. nonprofit organizations working in the Middle East and North Africa received nearly 45 percent of the total USAID/ASHA grant dollars between 2015 and 2017.** USAID/ASHA partner organizations operating in the Western Hemisphere and Europe and Eurasia received nearly 30 percent of the total grant dollars between 2015 and 2017.

**International partnerships have received increased attention with the inclusion of “global partnership” in the United Nations Sustainable Development Goals.** In the U.S., particularly in the fields of education and health, international partnerships have long been at the center of organizations’ internationalization strategies. Many of these activities are referred to as “public diplomacy” – a blend of traditional diplomacy’s capacity building efforts with a focus on audiences outside of the state apparatus, such as private-sector corporate initiatives and philanthropic initiatives.
II. Recommendations and Future Research Questions

To better inform USAID/ASHA partners, practitioners, policymakers, scholars, and the general public in the future, and to offer opportunities for further discussion, the research team offers the following recommendations.

Stakeholders could promote and enhance cross-sectoral and cross-border collaborations by providing platforms for dialogue, developing research and appropriate datasets, and advancing the information of and knowledge about global philanthropy and international partnership through trainings and conversations.

As collaboration across sectors and borders is essential to achieve the Sustainable Development Goals and provide solutions for urgent societal needs globally, academia as well as the public, nonprofit and business sectors can contribute by promoting and enhancing understanding about global philanthropy and international partnership. Based on the findings of the current research project, smaller nonprofit organizations often lack knowledge about funding opportunities and fundraising techniques, especially regarding international projects; public diplomacy and the opportunities for public-private partnerships; and the philanthropic infrastructure and capacity-building models worldwide. Therefore, we recommend to U.S. Forest Service, USAID/ASHA and the school to enhance knowledge of global philanthropy and international partnerships by research and communication.

Future research could focus on public policies that affect cross-border giving and international partnerships and analyze their impact.

The research team received several questions about how public policy and regulations on nonprofit organizations and cross-border philanthropy affect global philanthropy. Because the political environment in a given country has a strong influence on the enabling environment for philanthropy, the effect of concrete public policies and regulations can be seen only after several years and it is difficult to rule out other social and economic factors in the effects. As most regulations around the world affecting cross-border giving and international partnerships were enacted in the last 5 years, we recommend longitudinal cross-national data collection efforts that focus on this topic.

USAID/ASHA could collect specific data during the application period, grant period, and a post-grant period in order to have a better understanding of their grantees and unsuccessful applicants.

Several characteristics of organizations and impacts of USAID/ASHA grants could be analyzed and evaluated if more detailed data were available for research. Data collection could cover areas such as the nonprofit organizations’ financial and non-financial resources and the organizations’ funding streams (focusing on the information needed to determine the crowd-out or “crowd-in” effects of USAID/ASHA grants). Such data could be reported before, during, and after the grant period by both the U.S. nonprofits and their overseas partners. Thus, we recommend that USAID/ASHA develop a template to create a robust dataset for further research and impact evaluation.
Food for Thought for Practitioners

Several findings of the report provide useful information for practitioners who work in or with international nonprofit organizations in order to better understand and take advantage of the current and future trends of global philanthropy, such as:

1. New institutional forms and technological innovations—such as international giving by community foundations, donor-advised funds, impact investing, crowdfunding—can enhance philanthropy and public-private partnerships both domestically and internationally. These emerging institutional forms and innovations in philanthropy could help USAID, USAID/ASHA, and other internationally-focused government agencies and nonprofit organizations identify institutional types that would be eligible for partnership in order to accelerate public-private partnerships.

2. In 2015, international giving by foundations reached a record high, primarily supporting causes including health, climate change and disaster relief. Nearly four-fifths of grants were donated to U.S.-based intermediaries while one-fifth of grants were donated directly to local organizations outside of the U.S.

3. The environment for philanthropy affects cross-border philanthropy. Data analysis reveals a positive relationship between the dollar amount of the awards received by USAID/ASHA grantee partner organizations and the overall Global Philanthropy Environment Index scores of the countries where grantee partner organizations operate.

4. Nonprofit organizations’ life cycle, age, and capacity are important factors when it comes to receiving government funding. USAID/ASHA grantees tend to have been founded earlier and have more assets and higher revenue than unsuccessful applicants between 2015 and 2017.

5. Geographic focus of U.S. nonprofit organizations also matters. U.S. nonprofit organizations working in the Middle East and North Africa received nearly half of the total USAID/ASHA grant dollars between 2015 and 2017, while USAID/ASHA partner organizations operating in the Western Hemisphere and Europe and Eurasia received nearly one-third of the total grant dollars in the same time period.

6. Finally, the largest share of USAID/ASHA applicants between 2015 and 2017 was international organizations (as defined in the National Taxonomy of Exempt Entities system). USAID/ASHA partner organizations primarily focused on educational programs (as defined by the USAID program categories), as they received nearly two-thirds of total grant dollars awarded by USAID/ASHA, while one-third of the grant dollars supported programs on health and populations.
Suggestions for Future Research

At the 2018 USAID/ASHA Partners Meeting that took place on October 22–23, 2018 in Washington, D.C., the school led a presentation on The Changing Landscape of U.S. Cross-Border Philanthropy and a workshop on Good Practices for Cross-Border Philanthropy. After summarizing the information and feedback the school received from USAID/ASHA and its partners, the following themes and questions have been identified to be further developed and researched:

1. How can public diplomacy, as a tool for international partnership, enhance international collaborations and how can it be measured?
2. What are the best approaches for successful international partnerships and cross-sectoral collaborations?
3. How can both organizational and country-level risk be measured in the case of international partnerships and global philanthropy?
4. What are the main motivations, interests, and priorities of funders that give to international affairs?
5. What are the main external factors that might impact cross-border giving?
III. USAID/ASHA Partners’ Feedback

Two members of the school’s research team, Cathie Carrigan, Managing Director of International Programs and King Horvath, Visiting Research Associate presented research on international philanthropy and preliminary findings from this project at the 2018 USAID/ASHA Partners Meeting that took place October 22-23, 2018 in Washington, D.C. The school led a presentation on The Changing Landscape of U.S. Cross-Border Philanthropy as well as a workshop on Good Practices for Cross-Border Philanthropy at the USAID/ASHA Partners Pre-Meeting on October 22. The school shared key findings from the October 22nd session with the participants of the USAID/ASHA Partners Meeting during the Opening and Readout session that took place on October 23.

This section analyzes the information and feedback the school received from USAID/ASHA partners during and after its presentation on The Changing Landscape of U.S. Cross-Border Philanthropy and the workshop on Good Practices for Cross-Border Philanthropy at the USAID/ASHA Partners Pre-Meeting on October 22. The research team used the information and feedback received from USAID/ASHA partner organizations to develop further the Literature Review (Section IV), the Analyses of U.S. Giving to International Causes (Section V), and the Analyses of USAID/ASHA Grants (Section VI).

Based on the USAID/ASHA partners’ feedback and questions, key themes and questions researched and included in the analytical report are:

1. Trends in cross-border giving that seem to pose challenges for many USAID/ASHA partners are due to changing legal and political environments and lack of philanthropic infrastructure in overseas organizations.

2. USAID/ASHA partners wanted to gain a better understanding of how to build a diverse funding portfolio and develop self-reliance. Numerous USAID/ASHA partners have been successful in donor engagement, stewardship, and fundraising strategies that target individual donors, diaspora donors, and faith-based missions. However, most organizations showed interest in learning more about available funding sources that support cross-border philanthropy and international partnerships. The current report provides information on various private, public, and commercial funding sources that are available for U.S. and overseas organizations as well as data on individual, corporate, and foundation giving to international organizations and projects.

3. USAID/ASHA partners were interested in receiving more information on public diplomacy. This report addresses the history, development and current trends of International Partnerships and Public Diplomacy in the Literature Review (Section IV).

4. USAID/ASHA partners were interested in receiving more information on characteristics of organizations (including size, mission, age, and budget) that successfully applied for USAID/ASHA grants as well as information about which characteristics of USAID/ASHA partners are likely to impact the operation of USAID/ASHA projects.
Based on the feedback received from USAID/ASHA partner organizations, the smaller organizations often face more obstacles to develop necessary skills to internally manage the projects, write grant proposals, handle the costs of communications and social media outlets, reach out to experts, and cultivate donors. Based on the current report, there are consistent patterns of difference in organizational characteristics between USAID/ASHA grantees and unsuccessful applicants, as grantees tend to be founded earlier and have more assets and higher revenue.

Key Themes from the Break-out Sessions

During the Workshop on Good Practices for Cross-Border Philanthropy, the school organized two break-out session focusing on cross-border collaboration. Participants discussed the following two questions:

1. What challenges and opportunities do your organizations face with regard to cross-border giving or international collaborations?

2. Good practices for cross-border collaborations: What has been challenging? What has worked well?

The two 20-minute break-out sessions each allowed participants to share their own experiences in small groups of 6 to 12 people and to identify common opportunities and challenges across countries. After each break-out session, every table shared their group’s key findings with the audience.

Question 1: What challenges and opportunities do your organizations face with regard to cross-border giving or international collaborations?

Reflected throughout the responses, it is evident that cross-border philanthropy entails challenges for people working in the field. The major challenges that respondents face emanate from legal instabilities—especially noted in China, Ethiopia and Haiti (e.g., the governments own all the bank accounts), visa restrictions (especially for faith-based organizations after 9/11) and inefficiencies in commodities transfer and release, which vary across countries and cause additional burdens and operational expense. Such unexpected restrictive changes in laws and the political dynamics of the regions, combined with security issues in countries of conflict and crisis like Somalia, threaten to make potential donors more passive due to vague tax changes and uncertain paychecks, thus shrinking revenue for organizations. Excessive scrutiny even over legitimate cross-border transactions adds another layer of challenges. Representatives from African countries in particular presented the most challenges in their responses. In addition to the constantly changing policy environment, organizations often lack staff with skills in proposal writing, communication, program design, objective drafting, and impact evaluation and reporting. However, participants noted that social media outreach and young donors seemed to represent some opportunities for exploration.
Question 2: Good practices for cross-border collaborations: What has been challenging? What has worked well?

Practitioners’ experiences show a considerable amount of success, especially with regard to donor engagement, stewardship and transparency, and fundraising strategies that target individual donors, diaspora donors, and faith-based missions. From a managerial point of view, on-site methods of program monitoring, online Skype meetings, and capacity-building projects have proven to be effective in both securing funding and implementing funded projects. A few respondents suggested setting up a system and process for conducting projects more efficiently. On the other hand, there are parallel challenges in the field, especially in the Middle East and Africa. Partners cited insufficient organizational infrastructure to manage international projects in the unstable political environment, also causing reluctance among potential donors. Smaller organizations also find it more difficult to manage projects, write proposals, communicate effectively, reach out to experts, and attract donors (specifically alumni). In many regions, like Africa, even access to high speed Internet is costly and difficult.

Feedback Received from USAID/ASHA Partners After the Workshop

The school used an “exit ticket,” a simple but effective assessment method, at the end of the workshop to ask the following two questions from the audience that would help further develop the research project:

1. What would be useful for you to know about USAID/ASHA Grantees?

2. Do you have a suggestion for future research on cross-border philanthropy?

While the first question focused on USAID/ASHA-related information, the second question was more broadly aimed on cross-border philanthropy to identify future research themes and questions. The school received 70 and 43 answers to the questions, respectively.

Question 1: What would be useful for you to know about USAID/ASHA Grantees?

Responses reflect a desire for more information in two main areas: the grant application process and operational challenges, such as adequately addressing public diplomacy in projects. In at least 15 answers, participants desired transparent, accessible, categorized (by country, size, mission, age, financial turnover, etc.) updated data on grantees and some commonalities across the organizations that won USAID/ASHA grants. Some participants expressed uncertainty in their responses about whether their organizations would match USAID/ASHA’s criteria and be qualified for funding. A desire to see examples of successful proposals and programs is a recurrent theme among the answers. Respondents look for certainty through information.

Participants also mentioned the phrase “successful stories” in many of the responses, expressing a desire to acquire practical lessons and information. In eight responses, participants expressed curiosity and the need to know about methods of integrating public diplomacy into the grant proposal as well as what skills would be needed for implementing, measuring, commercializing and managing it; in other words, they want to learn about public diplomacy and related activities,
from theory to practice. Practitioners also looked for lessons in successful networking, grant seeking, and analysis models.

Question 2: Do you have a suggestion for future research on cross-border philanthropy?

More than half of the respondents to the second question asked for clarity of information about available funding sources (categorized by sector, number, grantees, country and region), to identify the right funding sources for their projects and to evaluate their chances of receiving funding. Repeated somewhat less frequently, participants expressed a wish to know more about international donors and their attitudes and expectations; American donors in particular seemed like a puzzle to respondents. The responses underscored a need for more research and data about donors and their preferences and priorities, especially concerning regional variations.

Respondents also expressed an interest in knowledge about fundraising practices and evaluations (among diaspora, for instance), elements of successful international partnerships, and organizational aspects of grant management. One respondent showed concerns about the effect of terrorism on trends in international giving.
IV. Literature Review

The literature review highlights the most relevant topics on the current development of philanthropy, with a special focus on typologies and funding of nonprofit organizations, new opportunities for philanthropy, and international philanthropy and partnership. USAID/ASHA provides assistance to schools, libraries, and medical centers outside the United States that serve as study and demonstration centers for American ideas and practices by providing grants for and collaborate with U.S. 501(c) organizations and their partner organizations overseas. The literature provides context for U.S. cross-border philanthropy, which collaborates with and receives funding from USAID and USAID/ASHA.

1. The Nonprofit Sector: Typologies of Nonprofit Organizations in the United States and around the Globe

To better understand the universe of nonprofit organizations both nationally and internationally, this subsection provides an overview of terms of nonprofit organizations that are used internationally and typologies that were developed in the U.S. The overview may present one or more alternatives that are suitable for analyzing those U.S. 501(c) organizations that have applied for or received USAID/ASHA grants and those that are registered with USAID.

Nonprofit organizations play a major role in the U.S. and global economies. While the role and responsibilities of nonprofit organizations are widely acknowledged at local, national, and international levels, the terms and typologies used to characterize them differ from country to country. The different definitions show the diversity of the sector, but can cause challenges to find appropriate typologies for international research.

1.1. International Terms of Nonprofit Organizations

As terms, definitions, and concepts regarding the nonprofit sector often differ, especially in the context of global philanthropy and international partnerships, the wording used most frequently is briefly reviewed in this section. Anheier (2014, p. 60-61.) distinguished eight different terms used as equivalents for the nonprofit sector: charity, independent sector, third sector, voluntary organizations, nongovernmental organizations, philanthropy, social economy, and the nonprofit sector itself.

The term nongovernmental organization is mainly used in developing and transitional countries as well as in international relations (Anheier, 2015, p. 61). As Anheier highlights it, nongovernmental organizations are those organizations that are highly professionalized and promote social and economic development. Bratton (1989) was one of the first researchers who argued that nongovernmental organizations have an important political role in democratization serving as pillars of civil society. Most recently Dupuy and her colleagues (2016) stated that nongovernmental organizations are important policy actors especially in developing countries. Nongovernmental organizations are often defined as organizations that are officially established, run by employed staff, well-supported, and are relatively large and well-resourced (Mercer, 2002). Additionally, nongovernmental organizations are frequently seen as organizations that strengthen democracy as they pluralize the international arena, widen and deepen the possibilities of citizen
participation, and are able to check state power (Mercer, 2002, p. 8-9). In the current environment, the term of nongovernmental organization could be used for philanthropic organizations that receive substantial funds from abroad and their main activities are advocacy for human rights, transparency, and liberal values in general.

The terms nonprofit sector and nonprofit organizations are used by the United Nations’ Systems of National Accounts (United Nations, 2003) and developed by the Johns Hopkins Comparative Non-Profit Sector Project (Salamon, & Anheier, 1997). The nonprofit sector includes all entities that are:

- a) Organizations - that is, institutionalized to some extent;
- b) Private - that is, institutionally separate from government;
- c) Non-profit-distributing - that is, not returning profits generated to their owners or directors;
- d) Self-governing - that is, able to control their own activities;
- e) Voluntary - that is, non-compulsory and involving some meaningful degree of voluntary participation (United Nations, 2003, p.16)

Nonprofit organization is often used as a general term for philanthropic organizations; however, it might be associated mainly with domestic philanthropic organizations. Additionally, the term of nonprofit organization focuses on the economic aspect of the organizations, namely that these organizations do not generate surplus instead of the goals and aims of these organizations.

Another term often used in non-U.S. literature, which was created during the European Enlightenment, is civil society and civil society organizations. The definition used by Anheier (2014, p. 82) emphasizes the voluntary association of citizens: “modern civil society is the sum of institutions, organizations, and individuals located between the family, the state, and the market, in which people associate voluntarily to advance common interests.” Several researchers, such as Habermas (1991), Gellner (1994), Hadenius and Uggla (1996) or Keane (2009), define differently the concept of civil society, but all of them highlight the following characteristics: independence from the state, voluntary, self-organized institutions, a public space for interaction. The term civil society and civil society organizations was widely used in Latin America and Eastern Europe during political and economic transitions as countries aimed to rebuild and revitalize the public space outside of their autocratic governments. Civil society and civil society organizations can also include informal initiatives, and formal institutions, such as parties, chambers and media organizations that are not main actors of philanthropy.

The term philanthropy means “voluntary action for the public good” (Payton and Moody, 2008, p. 6). According to its Greek origin, the word philanthropy means the love of humanity, but its modern meaning is related to the use of private wealth and skills to voluntarily support public causes. Philanthropic organizations, therefore, refer to institutions that use private resources directly or indirectly to offer services for the public good. Additionally, the term philanthropic organizations include both formal and informal institutions, from independent private foundations to any philanthropic activities, such as volunteering. Both philanthropy and philanthropic organizations are focused on a broader concept of organizations and activities: they
include both formal and informal organizations that mainly focus on voluntary provision of services for the public good. The term of philanthropic organization has been used by the 2018 *Global Philanthropy Environment Index* (Indiana University Lilly Family School of Philanthropy, 2018a) in order to provide a term that can be researched across cultures.

In the United States, nonprofit organizations are commonly referred to as the third sector, with government and business comprising the other two. Amitai Etzioni, an American sociologist, introduced this term in the 1970s and it became widespread after the Filer Commission used it while producing “the most far-reaching and detailed report of American philanthropy ever undertaken until then” (Brilliant, 2000 in Anheier 2015, p. 17). However, as the term lacks any clear definition, it has been adopted by organizations that are not part of either the public or the business sector.

1.2. The Nonprofit Sector: Typologies of U.S. Nonprofit Organizations

There are over 1.56 million nonprofit, tax-exempt organizations in the United States (U.S.) including over 1 million public charities, 105,030 private foundations, and 368,337 other nonprofit organizations (National Center for Charitable Statistics, 2016). They constitute approximately 5.4 percent of the nation’s gross domestic product (GDP) and employ 11.9 percent of American workers (McKeever, 2018; Salamon 2018). Moreover, they provide a safety net for the U.S. economy during times of recession. Not only do they increase their services to help Americans struggling as a result of economic downturns (Salamon, Geller, & Spence, 2009), but during the most recent recession (Great Recession, 2007–2009), employment by the nonprofit sector experienced steady growth (Friesenhahn, 2016).

Typologies and Approaches Used by the Internal Revenue Service - National Taxonomy of Exempt Entities

Because of the role they play in the U.S economy, nonprofit organizations are addressed in detail in the U.S. tax code (Lenkowsky, 2018). Based on the U.S. Internal Revenue Code, 26 U.S. Code § 501, certain organizations are exempt from federal taxes. Section (c) defines exempt organizations in 29 subcategories, the most common of which is 501(c)(3) (Friesenhahn, 2016; Legal Information Institute, 2018). A 501(c)(3) organization is “organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes…” (Legal Information Institute, 2018). Organizations with 501(c)(3) designation include both public charities and private foundations, with public charities making up the largest portion of tax-exempt organizations. The 501(c)(3) designation was first established with the Revenue Act of 1954.

The end of World War II saw the proliferation of formal organizations worldwide, particularly nonprofits, including schools, higher education institutions (Schofer, & Meyer, 2005), and medical centers (Levine et al., 2015) that received key support from the federal government for social science and scientific research (Hall, 1992). This support increased during the ensuing decades, particularly during the 1960s with President Lyndon Johnson’s Great Society (U.S. Department of
Labor) social programs, which relied on nonprofit organizations to implement its goals and led to a tremendous growth of education and health-related nonprofits (Salamon, 2012).

In the second half of the twentieth century, the rate at which the number of nonprofit organizations had been increasing led to efforts to study them. During the 1980s, the National Center for Charitable Statistics at the Urban Institute developed the National Taxonomy of Exempt Entities (NTEE) (National Center for Charitable Statistics, 2018) in an effort to code organizations according to their primary purpose (Grønbjerg, 1994). The IRS began using the classification system during the 1990s. The NTEE Core Codes group nonprofit organizations into ten overall categories (National Center for Charitable Statistics, 2018):

I. Arts, Culture, and Humanities - A
II. Education - B
III. Environment and Animals - C, D
IV. Health - E, F, G, H
V. Human Services - I, J, K, L, M, N, O, P
VI. International, Foreign Affairs - Q
VII. Public, Societal Benefit - R, S, T, U, V, W
VIII. Religion Related - X
IX. Mutual/Membership Benefit - Y
X. Unknown, Unclassified - Z[^1]

Of U.S. public charities that filed an IRS Form 990 in 2015, 2.2 percent indicated that their primary focus was on international and foreign affairs. In comparison, 35.2 percent of reporting public charities were human services organizations, 17.9 percent were education-focused organizations (including higher education), and 14.7 percent were health-related (including hospitals and primary care facilities) (McKeever, 2018).

**Typologies and Approaches Developed by Foundation Center - Philanthropy Classification System**

The Foundation Center started an overall revision of the taxonomy in 2012 and released the Philanthropy Classification System (PCS) in December 2014 in order to create “a more broadly adopted standard that more accurately reflects the work of the field and can serve as a more relevant tool for a 21st century global philanthropy community” (Foundation Center, n.d.). The PCS is based on the NTEE but has been expanded to include new elements of the global nonprofit sector. The PCS aims to provide information of the population that the nonprofit organization serves,[^2] the subject[^3] and type of the organization,[^4] the organization’s support strategy[^5] and transaction type,[^6] and where the organization provides services.[^7]

[^1]: For the full list of IRS activity codes, see https://beta-nccs.urban.org/publication/irs-activity-codes
[^2]: For the detailed hierarchy of populations, see http://taxonomy.foundationcenter.org/populations
[^3]: For the detailed hierarchy of subjects, see http://taxonomy.foundationcenter.org/subjects
[^4]: For the detailed hierarchy of organization type, see http://taxonomy.foundationcenter.org/organization-type
[^5]: For the detailed hierarchy of support strategies, see http://taxonomy.foundationcenter.org/support-strategies
[^6]: For the detailed hierarchy of transaction type, see http://taxonomy.foundationcenter.org/transaction-type
[^7]: For the detailed hierarchy of geographic area serve, see http://geotree.foundationcenter.org/
Typologies and Approaches Used by the United States Census Bureau – North American Industry Classification System

The North American Industry Classification System (NAICS) was developed and introduced by the Office of Management and Budget in 1997 in order to provide a classification system for the purpose of collecting, analyzing, and publishing statistical data with a higher level of comparability among North American countries (United States Census Bureau, n.d.). The 2017 NAICS definition includes “religious, grantmaking, civic, professional, and similar organizations” (NAICS 813), and other organizations that could serve as USAID/ASHA partners, such as “colleges, universities, and professional schools” (NAICS 6113), “general medical and surgical hospitals” (NAICS 622110), and “libraries” (NAICS 519120).

2. Roles of the Nonprofit Sector and the Three-Failures Theory

The public, nonprofit, and for-profit sectors all provide public goods for society. Collaboration and partnership across the sectors is necessary to address urgent social needs and to work toward achievement of the UN Sustainable Development Goals. As USAID/ASHA works closely with nonprofit organizations, it is important to understand the limitations of each sector and the advantages of collaboration.

Economic theory holds that three sectors—the nonprofit sector, the public sector, and the for-profit sector/markets—provide public goods in different ways. While the types of goods (excludable or nonexcludable, rival or nonrival) determine which sector can provide particular goods in the most effective way, it also means that all sectors have weaknesses in service provision. While the market can provide private goods—those that are excludable and rival, such as food, public goods—those that are nonexcludable and nonrival, such as clean air or national defense—need to be provided by the government. Meanwhile, the nonprofit sector often provides quasi-public goods—those that are excludable but nonrival products, such as museums and symphonies. To better understand why certain goods cannot be offered effectively by certain sectors, it is important to understand the weaknesses of each sector.

Public Goods or Government Failure Theory

Government failure occurs when diverse interests in society lead to heterogeneous demand for services. In a liberal democracy, politicians aim to maximize their votes and chances for re-election, so they aim to provide the public and quasi-public goods at the level that the median voter demands (Weisbrod, 1975). However, the median voter theory suggests that there will be consumers who have higher demands for certain public goods, and this demand is often addressed by nonprofit organizations, in a “gap-filler” role (Anheier, 2014, p. 203).

Contract or Market Failure Theory

Market failure theory argues that the information asymmetry between provider and clients (especially when the user and consumer are not the same person) might lead to fears on the part of consumers, especially when the consumer feels that s/he is not able to evaluate the service received
appropriately (Arrow, 1963; Hansmann, 1987). The lack of trustworthiness does not apply to nonprofit organizations due to their non-distribution constraints and the high level of public trust towards organizations with nonprofit status (Anheier, 2014).

Third-Party Government or Voluntary Failure Theory

While voluntary failure theory assumes that the public and nonprofit sectors collaborate with each other in the provision of goods and services, it highlights the aspects of the nonprofit sector that can hinder the ability of nonprofit organizations to effectively provide goods and services for the public. The four main weaknesses of the nonprofit sector are (Anheier 2014, p. 214):
- Philanthropic insufficiency: the giving of just a few cannot provide enough goods for the whole society;
- Philanthropic particularism: some nonprofit organizations aim to serve certain subgroups rather than the whole society;
- Philanthropic paternalism: the donors’ interests can be overrepresented;
- Philanthropic amateurism: nonprofit organizations often lack professional teams with appropriate knowledge and skills to address certain social issues.

3. Funding for Nonprofit Organizations

This subsection provides a comprehensive landscape of private, public and commercial funding sources that are available for U.S. 501(c) organizations. USAID/ASHA can evaluate the funding sources that might be leveraged by its partner organizations and applicants to promote the diversification of their revenues as one way to lead them to self-reliance.

Nonprofits receive funding from a variety of sources including contributions from individuals and private foundations, government funding, and commercial activity (Froelich, 1999). In 2017, private contributions from Americans totaled over $410 billion (Giving USA Foundation, 2018). These contributions came from individuals (70 percent), foundations (16 percent), bequests (9 percent), and corporations (5 percent) (Giving USA Foundation, 2018).

Private Funding Streams

_Giving USA 2018: The Annual Report on Philanthropy for the Year 2017_ researched and written by the Indiana University Lilly Family School of Philanthropy, provides information about the total charitable donation amounts given by and main trends of each main giving source (individuals, foundations, bequests, and corporations). Giving by all funding streams increased between 2016 and 2017 and the total estimated growth was 5.2 percent in this time period.

Giving by individuals increased 5.2 percent in 2017 (an increase of 3.0 percent, adjusted for inflation) (Giving USA Foundation, 2018). Individual giving was positively affected by new technologies and vehicles, such as online giving, the possibility of using cryptocurrency for charitable donations, and the proliferation of donor-advised funds (Giving USA Foundation, 2018). Even though the value of individual donations has been increasing, the number of U.S. households that donate to charities shows a significant decrease (Indiana University Lilly Family
School of Philanthropy, 2017; Blackbaud Institute 2017; Lindsay, 2017). Giving by bequest increased 2.3 percent in 2017 (an increase of 0.2, adjusted for inflation), but it usually fluctuates year to year because of the impact that very large gifts can have in the years they are announced. (Giving USA Foundation, 2018).

Giving by foundations increased 6.0 percent in 2017 (an increase of 3.8 percent, adjusted for inflation). Among foundations, giving by community foundations showed the highest increase with 11.0 percent from 2016 (Giving USA Foundation, 2018). In 2015, international giving by foundations reached a record high of $9.3 billion; 88 percent of grants were donated to intermediaries while 12 percent was donated to local organizations outside of the U.S. (Foundation Center & Council on Foundations, 2018). The top three causes supported by international giving between 2011 and 2015 were health, climate change and disaster relief (Foundation Center & Council on Foundations, 2018).

Giving by corporations and their foundations is estimated to have increased by 8.0 percent in 2017 (5.7 percent increase, adjusted for inflation). According to the Committee Encouraging Corporate Philanthropy’s 2018 Giving in Numbers, 56 percent of corporations increased their total charitable contributions from 2015 to 2017 (Committee Encouraging Corporate Philanthropy, 2018). The three main reasons for increased donations mentioned by such companies were: the increase in disaster relief contributions, the strategic review of societal investment areas, and the increase in product and property donations (Committee Encouraging Corporate Philanthropy, 2018). 27 percent of total corporate giving supported health and social services and 12 percent went to higher education organizations in 2017 (Committee Encouraging Corporate Philanthropy, 2018). Finally, corporate social responsibility has become widely practiced by corporations and both cash and in-kind corporate donations as well as employee volunteering can create a better image in the minds of employees and customers alike (Deloitte, 2017; Cone Communication 2017; Boston College Center for Corporate Citizenship, 2017).

Government Funding and Crowd Out

In the U.S., funding from government grants and contracts fluctuates with the political administration in power, but generally expanded after the implementation of the Great Society and the War on Poverty between the early 1960s and the late 1980s, when President Reagan implemented major economic changes (Salamon, 1987; Lipsky, & Smith, 1990). Government funding provides a relatively stable funding source that is widely accessible to nonprofit organizations, but it does not come without concerns. For example, there are concerns that organizations will become dependent on government funding, that government funding will affect an organization’s mission, and that government funding will change organizations’ structures and processes (e.g., accountability might place undue burdens on organizations leading to standardization and formalization that does not benefit the clients) (Froelich, 1999).

Moreover, there is ample evidence that government funding can crowd out other giving and fundraising efforts (Payne, 1998; Andreoni, & Payne, 2003; Steinberg, 1992; Achauer, 1989). Crowding out of donations occurs when an increase in funding from one source, in this case government funding, leads to a decrease in funding from another source, in this case private donations. There are multiple reasons crowdout may occur, but two primary reasons for this
phenomenon. First, givers appear to view government funding as a substitute for private giving (Andreoni, & Payne, 2003). The second reason for this phenomenon is that organizations may decrease their fundraising efforts as a result of receiving government funding (Andreoni, & Payne, 2003).

Conversely, several studies argue that government funding, especially subsidies, can crowd in other giving or private investment (Brooks 2000; Brooks 2003; Sokolowski, 2013; Yetman and Yetman, 2013). Subsidizing is likely to enhance funding stream diversification at organizational level that might lead to more effective public-private partnerships (de Wit, & Bekkers, 2016). Additionally, federal policy programs seem to stimulate private giving (de Wit, & Bekkers, 2016), that can also support revenue diversification and more powerful partnerships among the public and non-profit sector.

Not only at the national level, but also in the international arena, the crowding in effect of government funding has been promoted to enhance cross-sectoral collaborations. Development organizations can crowd in private investments by: “creating or seeding investment funds, incentivizing local financial institutions through credit guarantees, partnering with local institutions that are well positioned to help entrepreneurs and startups, partnering with larger private-sector firms to scale up investments with shared commercial and development benefits, and providing technical assistance to help companies strengthen business management and advocate for the removal of legal and regulatory barriers that limit private investment” (Powers, & Butterfield, 2014).

Commercial Funding Sources

In addition to traditional funding from corporations, nonprofits themselves are engaging in commercial activities. Commercial activity is a relatively new source of funding for nonprofit organizations and includes methods such as social entrepreneurship, impact investing, and other market-based models (Dees, & Anderson, 2006; Dover, & Lawrence, 2012). Social entrepreneurship, which includes organizations that embrace both a social mission and earned-income strategies, is becoming more common around the world (Bosman, Schött, Terjesen, & Kew, 2016). Businesses are also becoming more interested in impact investing or using business profits to invest in the social good. The most successful impact investment funds work closely with the public sector and current policies (Bosman, Schött, Terjesen, & Kew, 2016), but many impact investors note that lack of government support is a challenge for many funds (Mudaliar, Bass, & Diirthrich, 2018).

4. New Vehicles and Opportunities for Philanthropy

The landscape of philanthropy is changing rapidly. New institutional forms and technological innovations can enhance philanthropy and public-private partnerships both domestically and internationally. This subsection provides an overview of the most recent developments in philanthropy to help USAID and USAID/ASHA identify institutional types that would be eligible for partnership.
While the number of nonprofit organizations is growing in the United States and worldwide, new institutional forms and technological innovations continue to change philanthropy. New vehicles for charitable giving, such as community foundations, donor-advised funds, giving circles, and social entrepreneurship, are expanding and engaging growing numbers of donors. Additionally, new technologies such as crowdfunding and online giving could increase individual giving to social causes across borders.

**Community Foundations**

The number of community foundations has continued to increase in the last decade, operating in more than 70 countries worldwide (Community Foundation Atlas, 2014). International giving by U.S. community foundations has increased between 2011 and 2014, reaching 6 percent of total grant making and supporting programs or organizations in 18 different countries (Foundation Center, & Council on Foundation, 2017). Between 2010 and 2014, the top five beneficiary countries of U.S. community foundations were: the United Kingdom, Israel, Canada, India, and Haiti (Foundation Center, & Council on Foundation, 2017, p. 8) and the top 5 subject areas supported by their international grants were: community and economic development, health, environment, education, and human rights. Community foundations in developing countries, meanwhile, have an important role in international giving and partnerships, as they focus on social justice and democratic participation in local communities (Hodgson, Knight, & Mathie, 2012).

**Donor-Advised Funds**

Donor-advised funds (DAFs) are particularly popular among high income donors. They allow donors to make large donations and receive an immediate tax deduction, but to payout the funds over time. Some subsectors, such as education, which receives 28 percent of DAF funding, receive greater revenue from donor-advised funds than other subsectors (Giving USA Foundation, 2018).

**Giving Circles**

Giving circles, which allow donors to pool resources to make a larger impact, are also growing in popularity. Almost half of existing giving circles in the U.S. have been established since 2010. Collectively, giving circles have donated between $375 million and $1.3 billion (Collective Giving Research Group, 2016). Giving circles are also popular in other nations including the United Kingdom and Ireland (Eikenberry, & Breeze, 2015), Australia (Giving Australia, 2016), and numerous Asian countries such as China, Hong Kong, India, Japan, Mongolia, Singapore, and South Korea (John, 2014).

**Impact investing**

As an increasing amount of private capital becomes available to address social challenges, impact investing is a new tool for involving the business sector in public-private partnerships. Impact investing by foundations and by corporate organizations has increased in the last decade, and according to the 2018 Annual Impact Investor Survey, the lower-bound estimate of impact

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8 For a list of additional research on giving circles (including some of the above research), see [https://www.unitedphilforum.org/topic/giving-circles](https://www.unitedphilforum.org/topic/giving-circles)
investing assets is $228 billion, globally (Mudaliar, Bass, & Dithrich, 2018). In the United States, program-related investing by private foundations has been regulated through federal tax laws since the late 1960s, however U.S. foundations have not used this investment strategy very often. Most recently, the data show increasing trends in this sector (Indiana University Lilly Family School of Philanthropy, 2013). Between 2000 and 2010, 70 percent of program-related investments in the United States supported areas of housing, community development, and education (Indiana University Lilly Family School of Philanthropy, 2013). While impact investing and program-related investing might serve as an innovative tool for funding sustainable solutions to address urgent social needs, several challenges have been identified such as lack of knowledge and understanding of such investments, lack of government support, and lack of high-quality investment opportunities (Mudaliar, Bass, & Dithrich, 2018; Indiana University Lilly Family School of Philanthropy, 2013)

Social Entrepreneurship

Social entrepreneurship first appeared in the 1980s as “the process of creating value by combining resources in new ways to meet social needs” (Mair, & Marti, 2006, p. 37). Social enterprises have become important partners to achieve the UN’s sustainable development goals9. The number of social enterprises has increased worldwide, even though the rate of social entrepreneurial start-ups is less than half of commercial entrepreneurial start-ups (Bosma, Schøtt, Terjesen, & Kew, 2016; Defourny, & Nyssens, 2010; Defourny, & Nyssens, 2017). Several factors can facilitate the operation of social enterprises including an enabling regulatory environment, government support, as well as socio-cultural norms and values (Hoogendoorn, 2016; Stephan, Uhlaner, & Stride, 2015).

Online Giving and Crowdfunding

As the technology continues to advance worldwide, new tools, such as online donation platforms and crowdfunding become more popular among donors. According to the Global Trends in Giving Report, which collected donor data in 119 countries, 54 percent of donors worldwide prefer to give online (Nonprofit Tech for Good, 2018). While the numbers are significantly lower in developing regions including Africa (32 percent), Asia (51 percent) and South America (46 percent), it is likely they will also experience an increase in online giving as access to online and mobile devices continues to grow in these regions (Nonprofit Tech for Good, 2018). Additionally, the use of crowdfunding has become one of the innovative tools to collect donations both locally and internationally. Countries in Africa, Asia, Europe, and North America reported a growing use of crowdfunding platforms (Indiana University Lilly Family School of Philanthropy) that can help nonprofit organizations to diversify their revenues.

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9 For learn more about Partnerships for the SDGs – Entrepreneurs for Social Change, see https://sustainabledevelopment.un.org/partnership/?p=23553
5. Global Environment for Philanthropy

USAID/ASHA, their grantees, and their applicants work internationally. The regulatory, political, economic, and socio-cultural environment for philanthropy differs from country to country and significantly influences the ability for cross-border giving and international partnership. This subsection provides an overview of the global philanthropic environment to support the international operation of USAID/ASHA.

Private resources outpace official development aid at the global level; for example, total aid from DAC donors in 2014 totaled $137 billion whereas in the same year $764 billion came from the same countries through private flows such as capital investment, remittances, and philanthropy (Adelman, 2016). However, the fate of these resources depends in large part on the enabling environment of the countries and economies receiving the funds.

According to the 2018 Global Philanthropy Environment Index (GPEI), published by the Indiana University Lilly Family School of Philanthropy, the environment for philanthropy has shown improvements globally, yet has also become increasingly restrictive in several regions, with the number of restrictive regulations increasing overall since 2012 (Indiana University Lilly Family School of Philanthropy, 2018a; Rutzen, 2015). The GPEI is the world’s most comprehensive effort to measure the state of global philanthropy and the key factors that improve or hinder the success of philanthropy. This index studies the philanthropic environment of 79 developing, emerging, and developed economies, scoring them on a 1–5 scale based on five factors measuring regulatory environment (including ease of operating a philanthropic organization, tax incentives, and cross-border flows), political environment, and socio-cultural environment.

Of the 79 economies analyzed in the GPEI, about three-fifths have a generally favorable environment for philanthropy, leaving around two out of five economies with a generally restrictive environment. Although philanthropy is important in all cultures, cross-border flows of charitable donations have become more restricted over the past few years in several countries where governments introduced regulations to tighten the scrutiny of foreign donations and recipient philanthropic organizations. Research also shows that a favorable philanthropic environment is strongly linked with higher per capita Gross Domestic Product (GDP) (Indiana University Lilly Family School of Philanthropy, 2018a).

Barriers for Global Philanthropy and International Collaborations

The space for civil society has declined globally in the last decade as restrictive regulations have been introduced in both developed and developing countries (Anheier, 2017). According to the State of Civil Society Report 2018 published by CIVICUS, more than half of 195 countries had obstructed, repressed, or closed civic space. Between 2015 and 2016, sixty-two restrictive laws and regulations have been adopted by governments, nearly one third of which was introduced in South and Central Asia, one quarter of which was adopted by European and Eurasian governments, and more than one-fifth of which was implemented in Sub-Saharan African countries (International Center for Not-for-Profit Law, 2016). Besides restrictive laws on civil society organizations, the closure, de-registration, and expulsion of nonprofit organizations and the adoption of laws and policies that restrict access to resources, including international funding,
hinder the operation of nonprofit organizations both domestically and internationally (International Center for Not-for-Profit Law, 2016).

Restrictions often target cross-border charitable contributions. According to Rutzen (2015), more than one third of restrictive initiatives that have been implemented since 2012 restrict international funding. The most common constraints introduced by governments include:

- requiring prior government approval to receive international funding;
- enacting “foreign agents” legislation to stigmatize foreign funded CSOs;
- capping the amount of international funding that a CSO is allowed to receive;
- requiring that international funding be routed through government-controlled entities;
- restricting activities that can be undertaken with international funding;
- prohibiting CSOs from receiving international funding from specific donors;
- constraining international funding through the overly broad application of counterterrorism and anti-money laundering measures;
- taxing the receipt of international funding, including cross-border philanthropy;
- imposing onerous reporting requirements on the receipt of international funding; and
- using defamation laws, treason laws, and other laws to bring criminal charges against recipients of international funding (Rutzen, 2015, p. 6)

While restrictions on international funding can be found in both developed (including Austria, Hungary, and the United States) and developing countries, significantly more developing countries have had regulations on international funding and foreign aid. Many governments see foreign-funded nongovernmental organizations as possible threats of national security or as political opponents, therefore the policy and political environment for philanthropy often deteriorate in those countries. Dupuy and his colleagues (2016) run a study on the trends of foreign aid regulations by examining 153 low- and middle-income countries between 1993 and 2012. The study shows that the amount of foreign aid flows is associated with an increased risk of restrictive law adoption and that the probability of restrictive law adoption increases before competitive elections.

**International Development and the Sustainable Development Goals**

In 2015, the United Nations General Assembly introduced the 2030 Agenda for Sustainable Development. One of the Sustainable Development Goals (Goal 17) aims to revitalize the global partnership for sustainable development.10 Goal 17 targets several areas of partnership and collaboration, including finance, technology, capacity building, trade, and systemic issues (United Nations, 2015).

Numerous foundations across the globe developed and shared approaches to successfully integrate the Sustainable Development Goals (SDGs) into their agenda. According to Global Philanthropy Report (Johnson, 2018, p. 24), more than half of philanthropic institutions included in the report seek to align their programs with the SDGs – almost as many as the number of foundations who aim to align their activities with government priorities. Several researchers and practitioners

10 For the United Nations' Sustainable Development Goals, see https://sustainabledevelopment.un.org/
(Community Foundations of Canada, 2018; Foundation Center, Rockefeller Philanthropy Advisors, & United Nations Development Programme, 2015; Ross, & Spruill, 2018) argued that including SDGs into nonprofit organizations and foundations’ practices “carries tremendous opportunities and benefits” (Edwards, Ross, & Spruill, 2016, p. 11).

The SDGs not only enhance partnerships between public, private, and philanthropic institutions, but may lead to other improvements, including, increased accountability for governments, private foundations, and corporations; evenly distributed financial resources; and risk management and accountability among partners (Adams, & Topin, 2014; United Nations 2018). The SDG Philanthropy Platform – that aims to engage the philanthropy sector, government, and the United Nations – has provided a framework for philanthropy to work with the SDGs, and a platform to expand knowledge of and data availability on the role of philanthropy in achieving the SDGs. However, there are several areas where philanthropy could improve in order to meet the SDGs through partnerships including widening their reach, expanding advocacy and communication, developing appropriate research initiatives and data collection, and improving collaborations among developed and developing countries (Foundation Center, Rockefeller Philanthropy Advisors, & United Nations Development Programme, 2015).

6. Case Studies from Bulgaria, China, India, and South Korea

USAID/ASHA partner organizations reported that legal instabilities and regulations on cross-border philanthropy make international collaborations harder for philanthropic organizations. USAID/ASHA partners have experienced several challenges such as including fundraising regulations in China and India or changing administrative requirements in Bulgaria. On the other hand, opportunities could enhance the development of philanthropy in USAID/ASHA countries, such as the promotion of philanthropy and philanthropic traditions in South Korea.

Based on the 2018 Global Philanthropy Environment Index (Indiana University Lilly Family School of Philanthropy, 2018a) South Korea has a favorable philanthropic environment (score of 4.37), Bulgaria has a moderately favorable philanthropic environment (score of 3.75), and India and China have a restrictive philanthropic environment (scores of 3.21 and 2.75, respectively). Based on the country experts of the 2018 GPEI as well as the USAID/ASHA partners in these four countries, several challenges and opportunities can enhance and/or hinder the philanthropic environment in the near future.

Bulgaria

Bulgaria, an Eastern European country, has a moderately favorable philanthropic environment. While operating a philanthropic organization and sending and receiving cross-border donations are favorable in the country (scores of 4.0 and 4.25, respectively), the multiple changes in government and the lack of government strategy for philanthropy might hinder the overall philanthropic environment of the country. According to the country expert, “the government

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11 For more information of the SDG Philanthropy Platform, see https://www.sdgphilanthropy.org/
12 The Global Philanthropy Environment Index provides an overall score as well as scores by five factors using a 1-5 scale. A score of 5 represents the most favorable environment for philanthropy, and 1 represents the least favorable environment for philanthropy.
promotes philanthropy for its own benefit” (Panov, 2018, p. 7) and “state funding is limited” (Panov, 2018, p. 7), therefore cross-border philanthropy and international partnerships are crucial for Bulgarian philanthropic organizations.

Additionally, the socio-cultural environment for philanthropy scored 3.0, as the tradition of philanthropy could not develop fully since 1989 when the country experienced a political and economic transition. Additionally, as many other countries, the number of media attacks against philanthropic organizations have been increasing in the country, questioning whether philanthropic organizations “protect national interests if the funding source is foreign” (Panov, 2018, p. 7).

In 2016, Bulgaria passed new amendments to the Non-Profit Legal Entities Act. “The new legislation aimed to enhance the freedom of association by simplifying the registration procedures for nonprofits, adopting a governmental strategy for the development of the sector, allocating funds from the national budget to support nonprofit agencies, and establishing the Civil Society Development Council” (Indiana University Lilly Family School of Philanthropy, 2018b, p. 4). The amendments entered into force on January 1, 2018, therefore its implications are still uncertain.

China

China, an Eastern Asian country, has a restrictive philanthropic environment (score of 2.75). While the socio-cultural environment for philanthropy is favorable in the country, the regulatory (ease of operating a philanthropic organization, tax incentives, and cross-border giving) and political environments are restrictive in the country. According to the country expert, “the registration process of philanthropic organizations is onerous and cumbersome” (Anonymous, 2018, p. 2) and it is highly difficult for philanthropic organizations to obtain tax-exempt qualification (Anonymous, 2018, p. 4).

Receiving cross-border donations – as many of the USAID/ASHA partner organizations also mentioned – “has been thought to be a major obstacle for domestic philanthropic organizations” (Anonymous, 2018, p. 6) and international NGOs have become heavily regulated by the 2017 Law on Activities of Overseas Nongovernmental Organizations. This law “establishes burdensome registration procedures for and supervision of international nongovernmental organizations as well as domestic organizations and individuals that accept funding from overseas NGOs” (Indiana University Lilly Family School of Philanthropy, 2018b, p. 4).

However, the country expert also observed several positive changes in the regulatory environment for philanthropy in China. The 2016 Charity Law introduces an expanded definition of “charitable organizations,” new registration procedures and tax incentives for qualifying organizations, and new rules related to donation and volunteer management.

India

India, a South Asian country, also has a restrictive philanthropic environment (score of 3.21). Tax incentives and the political environment are moderately favorable in India (both scores of 3.5), however, cross-border philanthropy (score of 2.7) is highly restrictive in the country. Philanthropic
organizations cannot receive tax-exempt status if their charitable purpose is outside India. Indeed, philanthropic organizations need to obtain prior approval from the Central Board of Direct Taxes and have to support a purpose that the government supports in order to be able send cross-border donations outside of the country (Dadrawala, 2018).

After the 2010 Foreign Contribution Regulation Act, philanthropic organizations need to receive prior approval to accept foreign sources. According to the country expert, “the Ministry of Home Affairs could take 90 days or more to process the application, which includes an inquiry by an officer of the Central Bureau of Investigation” (Dadrawala, 2018, p. 4). Additionally, since May 2017, philanthropic organizations registered under the Foreign Contribution Regulation Act are required to have their accounts in either nationalized banks or in banks with capacity to provide core banking services. This regulation allows government security agencies to access the accounts of the philanthropic organizations in real time (Indiana University Lilly Family School of Philanthropy, 2018b).

Despite the fact that cross-border philanthropy is highly regulated and controlled in India, as some of the USAID/ASHA partners noticed, the government promotes corporate giving. The 2013 Company Act, requires corporations to establish a strategy on corporate social responsibility, and to spend 2 percent of their average net profit on corporate social responsibility and disclose their philanthropic activities in their annual report (Dadrawala, 2018).

South Korea

South Korea, an Eastern Asian country, has a favorable environment for philanthropy (score of 4.37). All 5 factors measured by the 2018 GPEI are favorable for philanthropy in South Korea. The laws and regulations have created a highly favorable environment for operating a philanthropic organization in the country and for making charitable donations, providing tax incentives for both individuals and corporations. The country expert highlighted that “public foundations or charities are primarily supported by the general public” (Lee, 2018, p. 6) providing the possibility of the diversification of funding sources for philanthropic organizations.

South Korea does not require any approval process to receive cross-border donations, however there are prohibitions on receiving monetary gifts from certain countries, such as North Korea (Lee, 2018).

The political environment for philanthropy is also favorable in South Korea (score of 4.1), as the government supports the development of philanthropy by providing opportunities for involvement in policy development and implementation. Additionally, policies aim to support innovative philanthropic organizations, including ‘social enterprise,’ ‘community enterprise,’ and ‘self-supporting enterprise’ (Lee, 2018).

However, as the country expert highlighted, the economic and political stresses might “begin to threaten the autonomy and sustainability of the philanthropic sector” (Lee, 2018, p. 5). USAID/ASHA partners representing countries across the world also reported economic and political uncertainty as a challenge for philanthropy and international partnerships.
7. International Philanthropy in the United States

This subsection provides a summary of the U.S. international philanthropy to provide information about the diverse landscape in which USAID/ASHA operates. Private resources – including private capital flows, remittances and private philanthropy – that were sent to developing countries exceeded the U.S. official development aid in 2014 (Adelman, 2016, p. 9); therefore, it is useful to better understand the main characteristics of U.S. international philanthropy.

In the United States, higher education, primary and high school education, and health and medical research are among five main areas associated with nonprofit organizations (Lenkowsky, 2018). Although the U.S. government has been responsible for massive foreign aid—particularly since World War II—the tradition of making philanthropic gifts internationally in the United States has a much longer history (Rogers, 2010). For the purposes of this report, philanthropy, defined as “voluntary action for the public good,” goes beyond humanitarian assistance to include advocacy for social change, expression of values, preservation of culture and traditions, and innovation (Payton, & Moody, 2010, p. 36). Thus, for the purposes of this study, cross-border giving includes gifts to U.S.–based philanthropic organizations (including schools, libraries, and health centers) with the intention of supporting philanthropic efforts overseas. These philanthropic grants and gifts flow from U.S. donors including individuals, foundations, and corporations. The ability of philanthropic organizations abroad to receive grants and gifts from organizations based in the United States depends on the regulatory environment of the recipient organization’s country.

Individuals in the United States may make gifts to U.S.–based nonprofits that work overseas or to nonprofits abroad (although they may not receive a tax deduction for the gift if they do not demonstrate equivalency) (Lenkowsky, 2018). However, legislation after the September 11th terrorist attacks led to new policies requiring foundation donors to report the recipients of all overseas grants to ensure they were not financing terrorist activities. As a result, many foundations have shifted their priorities away from the Middle East to avoid the burdensome reporting requirements (Lenkowsky, 2018; Benjamin, & Quigley, 2010). Despite concerns about terrorism, giving to nonprofit organizations with an international focus has continued to grow in recent years. In 2017, nearly $23 billion was donated to international affairs organizations. While this was a slight decrease from 2016, it is a significant increase since 1987 ($3.1 billion in inflation-adjusted dollars) when Giving USA began tracking the international affairs subsector (Giving USA Foundation, 2018). In recent years, philanthropists have begun to call for philanthropy to play a larger role in public diplomacy as well as in funding some gaps left as budgets for foreign aid decrease worldwide (Nee, 2017).

8. International Partnerships and Public Diplomacy

USAID/ASHA directly contributes to U.S. foreign policy and public diplomacy objectives by fostering strong civil society institutions and excellence in higher education and innovation. To provide a deeper understanding of the importance of USAID/ASHA’s work, this subsection discusses international partnerships and public diplomacy in the United States.

International partnerships across all sectors have received increased attention with the inclusion of “global partnership” as Goal 17 of the United Nations Sustainable Development Goals (United
In the United States, particularly in the fields of education and health, international partnerships have long been at the heart of organizations’ internationalization strategies because they allow faculty, staff, students, librarians, and doctors at U.S. institutions to learn from partners overseas while also providing opportunities to help build the capacity of partner organizations overseas (Sutton, 2010). Government funding for international engagement increased during the post–World War II era with the establishment of the Fulbright Scholar Program in 1947 and with the 1948 Smith-Mundt Act, which authorized the USAID/ASHA program to “promote a better understanding of the United States in other countries, and to increase mutual understanding between the people of the United States and the people of other countries” (Office of American Schools and Hospitals Abroad, n.d.; p. 2). These programs were soon augmented by investments by U.S. philanthropic foundations, such as the Carnegie Corporation of New York, the Rockefeller Foundation, and the Ford Foundation, to encourage U.S. universities and research institutes to engage in collaboration and exchange with institutions abroad, many of which focused on public health and education through technical assistance and capacity building (Zuns, 2012; Tournès, & Scott-Smith, 2018). In the “classic” model of internationalization, a university develops a range of institutional partners abroad, with which it engages in “academic, research, service, and management initiatives” (Knight, 2015, p. 109). More recently, this approach has been adapted to include institutions with satellite offices around the world as well as those co-founded with international partners (Knight, 2015, p. 109).

The activities pursued by U.S. institutions with international partners are commonly referred to under the broad category of “public diplomacy” or “knowledge diplomacy” (Knight, & De Wit, 2018, p. 3). In the United States, public diplomacy is increasingly converging with traditional diplomacy’s capacity building efforts, but with a focus on audiences outside of the state apparatus to include private-sector corporate initiatives and philanthropic initiatives. For example, the 2010 J. William Fulbright Prize for International Understanding recognized Bill and Melinda Gates for the work of their foundation (Center, 2013; Scott-Smith, 2011). American universities abroad, which receive accreditation from United States–based agencies but offer degrees in over 55 countries, represent one example of public diplomacy (Long, 2018) in addition to the work of U.S.–based institutions described above.

Schools, libraries, health centers, and hospitals also pursue international partnerships. The literature points to an interdependent relationship among education, public health, and economic development. If any of these three areas—education, public health, or economic development—falls behind, it creates problems that can compound over generations in a given population (Kolbe, 2018). Thus, efforts to address these problems are promoted by U.S. institutions through technical assistance or international development programs. In a 2008 study, Merritt and colleagues found that major American hospitals and health centers began working with overseas partner institutions after some of their international clients found travel to the United States for healthcare increasingly difficult after September 11, 2001. The study found that U.S. hospitals and health centers generally develop international partnerships in the following stages:

Stage One: Educational programs and training
Stage Two: Consulting and advisory services
Stage Three: Management services to hospitals, medical schools, or education and research centers
Stage Four: Delivering and/or owning patient care, education, and/or research abroad (Merritt et al., 2008, p. 542).

Partnership development often takes place in the context of an overall internationalization strategy, although early efforts can be opportunistic. The motivation for the U.S. hospitals and health centers includes: attracting patients from abroad, building the international brand/reputation, advancing research/education missions, and financial benefit (Merritt et al., 2008, p. 544-545).

Recent trends in international education have focused on longer term partnerships and curriculum development. It is in the context of these long-term relationships between U.S. and overseas institutions that opportunities emerge for sustained technical assistance. For example, a 2017 article on the internationalization of nursing education cites a partnership between the Frances Payne Bolton School of Nursing and Wuhan University’s Hope School of Nursing that received $2.7 million from American Schools and Hospitals Abroad to fund a Simulation Laboratory. That early support enabled curriculum internationalization at both institutions (Gao, et al., 2017, p. 115). More recently, a simulation lab project was pursued by a U.S. nursing school with a partner in India for the explicit purpose of facilitating internationalization of the nursing curriculum (Garner, et al., 2017). In this case, the act of applying for a USAID/ASHA grant represented an important marker in the development of the international partnership for both parties (Gao, et al., 2017). Sonderman and colleagues suggest that international development work by USAID and USAID/ASHA that integrates current trends in academic health care frameworks for international partnership can advance the agency’s ability to achieve the Sustainable Development Goals (2018, p. 1154).

Finally, the adoption of the UN Sustainable Development Goals has allowed USAID/ASHA partners to frame their international partnerships in terms of specific goals. For example, Mukonde (2017) points out that Lubuto Libraries in Zambia, which received USAID/ASHA funding for construction but which depend on local community support for their operation, meet SDGs 3, 4, and 5: *Ensure Healthy Lives and Promote Well-Being for All Ages; Ensure Inclusive and Equitable Quality Education and Promote Lifelong Learning Opportunities for All; and Achieve Gender Equality and Empower All Women and Girls.*
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