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# Charity and Philanthropy in Russia, China, India, and Brazil



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## ABOUT THE FOUNDATION CENTER

Established in 1956 and today supported by close to 550 foundations, the Foundation Center is the leading source of information about philanthropy worldwide. Through data, analysis, and training, it connects people who want to change the world to the resources they need to succeed. The Center maintains the most comprehensive database on U.S. and, increasingly, global grantmakers and their grants — a robust, accessible knowledge bank for the sector. It also operates research, education, and training programs designed to advance knowledge of philanthropy at every level. Thousands of people visit the Center's web site each day and are served in its five library/learning centers and at more than 470 Funding Information Network locations nationwide and around the world. For more information, please visit [foundationcenter.org](http://foundationcenter.org) or call (212) 620-4230.

## ABOUT WINGS

WINGS is a global network of grantmaker associations and philanthropic support organizations. WINGS strengthens, promotes and provides leadership on the development of philanthropy and social investment around the world. WINGS gives voice to the many cultures of giving and provides its members and other participants with information, knowledge, and peer exchange.

Our vision is of a strong, global philanthropic community that strives to build more equitable and just societies around the world.

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# Preface

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Just twenty years ago, a report such as this could not have been written. Philanthropy had yet to emerge in a significant way in either Russia or China, and it wasn't until the 1990s that conditions were favorable enough for philanthropy to really take off in India and Brazil. Moreover, the observation that economic power was beginning to shift away from the G7 economies toward the developing world didn't fully emerge until 2001, when economist Jim O'Neill coined the acronym "BRIC," referring to the four countries that have come to symbolize this shift. Spurred by rapid economic growth, philanthropy has emerged in each of these countries in ways that speak not only to the robustness of the idea of philanthropy, but to its adaptability and malleability, as well.

In parallel with the growth of philanthropy and civil society in emerging economies has arisen an increasingly networked collection of philanthropy "infrastructure" organizations that provide services and support to public benefit foundations and NGOs around the world. While such an infrastructure has long existed in the United States and in some European countries, elsewhere in the world more than half of all infrastructure organizations have formed since 2000, with at least half of these newer organizations emerging in the Global South.

The appearance of such organizations serves as a rough barometer of the changing philanthropic climate in each country. The Grupo de Institutos, Fundações e Empresas (GIFE) emerged in Brazil in 1995, followed by the Instituto para o Desenvolvimento do Investimento Social (IDIS) in

1999; Sampradaan, the Indian Centre for Philanthropy was established in 1996; the Russia Donors Forum was incorporated in 2002; and the China Foundation Center (CFC) opened its doors in 2010. As this report makes clear, the sequential emergence of these infrastructure organizations, in response to philanthropic growth, is a consequence of powerful social and market forces that have been let loose by rapid economic expansion. As a networking platform for 152 philanthropy associations and support organizations in 56 countries, Worldwide Initiatives for Grantmaker Support (WINGS) follows such developments with keen interest.

What the reader of this report will also quickly realize is just how little solid information exists about philanthropy and civil society in emerging markets. Structures and standards for collecting and aggregating philanthropic data are not well established even in countries with long traditions of data collection. But the need for good data is quickly emerging as an imperative around the globe. By disseminating this report, WINGS and the Foundation Center hope to build greater awareness and understanding of both the diversity and challenges faced by philanthropy in emerging economies. We also hope to facilitate a broader conversation about the development of better systems for documenting and sharing the story of philanthropy in all its forms around the world.

Helena Monteiro  
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# Introduction

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Wealthy individuals and families in developing countries have a long tradition of making charitable contributions to improve education and alleviate local social problems such as poverty, hunger, and disease. For centuries, the wealthy—prosperous landowners, aristocratic families, wealthy industrialists—have supported the needy in their countries.<sup>1</sup> In recent decades, emerging economies have grown rapidly and the number of wealthy individuals and families has grown exponentially, particularly in the so-called BRIC countries: Brazil, Russia, India, and China. Many new fortunes have been amassed by entrepreneurs in these emerging markets as their countries have liberalized, privatized, and globalized. A number of these newly wealthy entrepreneurs, families, and their companies are “giving back” to their societies through foundations or other charitable institutions.

This study examines such “giving back” in Russia, China, India, and Brazil. Because the charitable sector is new and not well organized or extensively researched, the data on charitable activities is limited and difficult to compare across countries. Nevertheless, it is possible to identify the cultural, economic, social, and political forces shaping giving in the BRIC countries and to identify the growth and nature of foundations and the philanthropic sector.<sup>2</sup> Despite the diversity of geography, ethnicity, religion, and political-social systems, there are common characteristics and issues that emerge from a comparison of giving in these countries.

In exploring the nature of giving in the BRIC countries, the study differentiates between “charity” and “philanthropy.” Charitable giving is defined as an effort to alleviate human

suffering and support the poor and needy with food, shelter, and healthcare. Philanthropic giving promotes social change and deals with the root causes of social ills by, for example, addressing inequalities of wealth, improving health, and spurring education and research. As we shall see, this distinction between charity and philanthropy reflects a major difference between the approach of most major U.S. and Western foundations and giving in many newly developed countries. This distinction is also crucial in understanding the difference between giving in countries with democratic political systems—India and Brazil—and those with systems that are not democratic—Russia and China.<sup>2</sup>

1. See for example: Jamey Gambrell, “Philanthropy in Russia,” *Carnegie Reporter*, Vol. 3, No.1, Fall 2004, [carnegie.org/publications/carnegie-reporter/single/view/article/item/113](http://carnegie.org/publications/carnegie-reporter/single/view/article/item/113); Judith H. Dobrzynski, “Philanthropy in China,” *Carnegie Reporter*, Spring 2008, [www.judithdobrzynski.com/3009/philanthropy-in-China](http://www.judithdobrzynski.com/3009/philanthropy-in-China); Priya Viswanath and Noshir Dadrawala, “Philanthropic Investment and Equitable Development: The Case of India,” in Peter F. Geithner, Paula D. Johnson, Lincoln C. Chen, eds., *Diaspora Philanthropy and Equitable Development in China and India*, Harvard University Press, Cambridge, Mass., 2007, pp. 259–289; Cynthia Sanborn and Felipe Portocarrero, eds., *Philanthropy and Social Change in Latin America*, Harvard University, David Rockefeller Center for Latin American Studies, Cambridge, Mass., 2005, especially Sanborn, “Philanthropy in Latin America: Historical Traditions and Current Trends,” pp. 3–29.
2. Since the days of Andrew Carnegie and J.D. Rockefeller, “philanthropy” has had a special meaning for Americans. The objective of these early U.S. philanthropists was to use their fortunes to improve society by addressing the root causes of social ills. In their view, charity addressed symptoms. Philanthropy sought to change the human condition. For a history of the concepts of charity and philanthropy see: Robert A. Gross, “Giving in America: From Charity to Philanthropy,” in Lawrence J. Friedman and Mark D. McGarvie, eds., *Charity, Philanthropy, and Civility in American History* (Cambridge: Cambridge University Press, 2003), pp. 29–48.



# Context and Origins

**G**iving by the wealthy, and not-so-wealthy, in each country is shaped by varying local cultures, history, traditions, and religion. Nevertheless, there are common forces behind the new global philanthropy.



## TRADITIONAL CULTURAL AND RELIGIOUS ORIGINS

In most societies, religion shapes the value system and motivates giving.<sup>3</sup> While the form and nature vary with religion, region, and culture, all major religions include the concept of charity or service. Christianity and Christian churches, including the Russian Orthodox Church and the Catholic Church in Latin America, have a long tradition of charity that is rooted in the theological concept of *caritas*, or love of others.<sup>4</sup> One of the obligations of Judaism, which has influenced a small but important part of contemporary Russian philanthropy, is “*zedakah*” or righteousness, which includes making gifts to others. Charitable giving or “*zakat*” is one of the five pillars of Islam and has shaped giving in the Arab countries and on the Indian subcontinent.<sup>5</sup> Hindus and Buddhists follow the concept of “*dana*,” meaning generosity or giving. *Dana* has also influenced the small but important Parsi or Zoroastrian community of India.<sup>6</sup> Confucianism includes concepts of altruism and treating others with humanity and, along with Buddhism and many other religions, has shaped the Chinese charitable tradition.

Religious motivations for giving have traditionally focused on charity—alleviating poverty, hunger, disease, illiteracy, and the impact of natural disasters—not on philanthropy, i.e., seeking change that addresses the root causes of social and economic problems. Support most often has centered on the local church, synagogue, mosque, or temple and on the local community. Many religious concepts such as “*zedakah*” or “*dana*” emphasize the importance of anonymous giving.<sup>7</sup> In Hinduism and Buddhism, for example, the notion of almsgiving is associated with achieving salvation through self-effacement.<sup>8</sup> Thus, charity in the newly wealthy countries and regions has most often been private, personal, informal, ad hoc, and family based and usually is not formalized, institutionalized, professional, or what Westerners would deem strategic.<sup>9</sup>

Even when religion has been suppressed, as in Communist Russia and China, religious traditions that have existed for centuries remain deeply entrenched in contemporary culture and society. In Russia today, there is a strong connection between giving by the newly wealthy and the Russian Orthodox Church, especially, for example, in their support for the restoration of churches.<sup>10</sup> Russian Jewish entrepreneurs have also been generous to both Russian and Jewish causes.<sup>11</sup>

In contemporary China, the Communist government has permitted a renaissance of Buddhism because, in the view of some scholars, the state needs Buddhist charity to complement inadequate public services. Such religious charity is not directed at social transformation and is easier for the state to contain and confine.<sup>12</sup>

In China and India, as throughout Asia, the family plays a central role in culture and shapes charitable giving. According to one study of giving in Asia, the desire to instill family values, strengthen family ties, and promote knowledge and leadership in the family ranked with religion as a motivation for involvement in philanthropy.<sup>13</sup>

## ECONOMIC LIBERALIZATION AND THE EMERGENCE OF A NEW BUSINESS CLASS

Economic change has also been a driving force in the emerging markets. The economic landscape in these rapidly growing countries changed dramatically starting in the 1990s with the fall of Communism in the USSR and the emergence of a new, global consensus on the advantages of liberal economic policies in India, Brazil, and even Communist China. In varying degrees, countries deregulated markets, privatized state-owned enterprises, encouraged new private enterprises, and lifted many barriers to foreign trade, direct foreign investment, and capital flows from abroad. In the former Communist countries like Russia, there were wholesale changes in the economic and political systems. In China, there has been an important degree of opening of the economy but not the political system. The result has been significant economic growth and a transformation of the national economies in the BRIC countries.

Economic liberalization has been accompanied by the growth of the middle class and the accumulation of vast fortunes by a new, wealthy business class, often linked to the global economy. Entrepreneurs developed businesses in new industries such as telecommunications, revitalized manufacturing industries such as steel, took over raw materials production including oil and gas, and expanded consumer-oriented businesses. In some of the BRIC countries, entrepreneurs benefited from ties to the government or military and were granted special treatment or monopolies that enabled them to develop their enterprises and amass their wealth. The Russian “oligarchs” were able to acquire state-owned industries at very low cost while business ventures of the sons and daughters of Chinese revolutionary leaders, known as “princelings,” benefited from their political connections.<sup>14</sup>

## GROWING INEQUALITY

New wealth has been accompanied by another consequence of liberalization: growing inequality. Not everyone benefited from the new capitalist economy.<sup>16</sup> Many studies reveal the unequal distribution of new wealth and, in most cases, an increasing income gap between rich and poor in emerging economies. For example, a 2011 OECD study documented the heavy concentration of wealth in Argentina, Brazil, China, India, Indonesia, Russia, and South Africa. Four of these countries — China, India, Russia, and South Africa—have become less equal over time. Only Brazil and Indonesia have been able to reduce inequality in the last 20 years, and, as the study points out, inequality remains very high in Brazil. Furthermore, when compared with developed countries, social expenditures that benefit poor citizens are also low in these emerging economies and tax systems are not designed to reduce income disparities.<sup>17</sup> Another study by the Carnegie Endowment for International Peace concluded that overall measures of inequality have increased in China and India and that although inequality declined somewhat in Latin America, it remains stubbornly high.<sup>18</sup>

The newly wealthy have many and varied reasons to be interested in making grants. For those who grew up in difficult circumstances, giving back is a way to help others who remain disadvantaged as they once were. In most of the emerging countries, visible donations also offer public prestige and social standing for the nouveaux riches. This prestige factor, for example, helps explain the role of Russian oligarchs in making very visible donations for the repatriation of Russian art and artifacts as well as the restoration of Russian orthodox churches.

Grants are also a way to legitimize the accumulation of wealth and the system that enabled the newly wealthy to acquire their fortunes. Some new philanthropists have benefited from the political system and are closely entwined with it. The charitable objective of most donors in the BRIC countries is to prevent human suffering and to alleviate poverty. By addressing social needs such as poverty, education, and health, the newly rich and the corporations they control help to improve conditions for the disadvantaged in society while not threatening the political order. Furthermore, giving can strengthen relations with the government and provide access to and favorable treatment by government officials. In China, for example, much of the charitable giving is directed at charitable organizations tied to or run by the government. In Russia, government officials may advise philanthropists to make certain grants.<sup>15</sup>

### The Growth of Civil Society in the BRIC Countries

The exact number of civil society organizations in each of the BRIC countries is difficult to pinpoint due, largely, to the lack of standard definitions and complications in accessing official government statistics. Based on available information, the reported number of CSOs in each country suggests significant and sustained growth in the sector in China, India, and Brazil and a more complicated picture in Russia.

According to secondary sources citing official figures from China's Ministry of Civil Affairs, the number of CSOs in the country increased from 153,322 in 2000 to 414,000 by the end of 2008.<sup>1</sup> More recent estimates put the number of officially registered nonprofit organizations at over 460,000.<sup>2</sup>

The number of CSOs in India is particularly difficult to track down as official government statistics are not readily available. Estimates of the number of nonprofits working in the country range from around 1.2 million in 2002 to approximately 3.3 million in 2009, suggesting that the size of the sector more than doubled in the 2000s.<sup>3,4,5</sup>

In Brazil, references to the number of CSOs in the country were found only for the past several years. According to ABONG, an association of Brazilian NGOs, the number of non-governmental organizations active in the country increased from 290,700 in 2010 to 338,000 in 2012.<sup>6,7</sup> A 2011 blog post cites data from the government's Brazilian Institute of Geography and Statistics (IBGE) that put the number at over 350,000,<sup>8</sup> suggesting that an even larger number of NGOs are working in the country.

The size and trajectory of Russia's civil society differs from the continued growth of the sector in Brazil, India, and China.

According to a 2003 research paper, the number of public organizations registered with the government at the time was approximately 350,000.<sup>9</sup> By 2007, those numbers had nearly doubled to 675,600, a number referenced in a journal article in the *Journal of International Affairs*.<sup>10</sup> However, as the article also notes, by 2008 this number had decreased to 655,400. In the years following, Russia experienced a startling decrease in the level of CSO activity in the country. By 2011, a report by the U.S. Agency for International Development, citing data from the Russian Ministry of Justice, put the number of registered CSOs at just 224,059.<sup>11</sup>

1. Klaus Segbers, Yu Keping, and Ole Jantschek. "The Role of Civil Society Organizations in China and Germany." Center for Global Politics, 2009. [www.global-politics.org/publications/working-papers/cgo-wp-01-2009/CGP\\_Working\\_Paper\\_01-2009.pdf](http://www.global-politics.org/publications/working-papers/cgo-wp-01-2009/CGP_Working_Paper_01-2009.pdf).
2. World Economic Forum. *The Future Role of Civil Society*. World Scenario Series, January 2013. [www3.weforum.org/docs/WEF\\_FutureRoleCivilSociety\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_FutureRoleCivilSociety_Report_2013.pdf).
3. "Do You Know How Many NGOs Are There in India?" *Guidestar India Blog*, June 2009. [guidestarindia.blogspot.com/2009/06/how-many-ngos-are-there-in-india.html](http://guidestarindia.blogspot.com/2009/06/how-many-ngos-are-there-in-india.html).
4. Nabin Aryal. "Changing Strategies of Non Government Organizations: Slogan Shouting or Income-Generating Program? - Case Studies from Gandhian NGOs of Northern India." Fukino Project Discussion Paper Series, March 2011. [hemes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/18952/1/070fukino02601.pdf](http://hemes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/18952/1/070fukino02601.pdf).
5. World Economic Forum. *The Future Role of Civil Society*, op. cit.
6. Alexandre Ciconello, and Marcela Moraes. *Estudo Acesso Das Organizações de Defesa de Direitos e Bens Comuns Aos Fundos Públicos Federais*. ABONG, n.d. [www.secretariageral.gov.br/mrosc/artigos/artigo-abong](http://www.secretariageral.gov.br/mrosc/artigos/artigo-abong).
7. Juliana Mello. "Forming a Non-governmental Organization in Brazil." *The Brazil Business*, October 10, 2012. [thebrazilbusiness.com/article/forming-a-non-governmental-organization-in-brazil](http://thebrazilbusiness.com/article/forming-a-non-governmental-organization-in-brazil).
8. Gustavo Ferreira. "Brazil – The Role of NGOs in Brazilian Politics." *Edelman PA Blog LATAM*, October 30, 2011. [publicaffairslatinamerica.com/2011/10/the-role-of-ngos-in-brazilian-politics/](http://publicaffairslatinamerica.com/2011/10/the-role-of-ngos-in-brazilian-politics/).
9. Alexander N. Domrin. "Ten Years Later: Society, "Civil Society," and the Russian State." *The Russian Review* 62, no. 2 (2003): 193-211.
10. Javeline, Debra, and Sarah Lindemann-Komarova. "A balanced assessment of Russian civil society." *Journal of International Affairs* 63, no. 2 (2010): 171-188.
11. U.S. Agency for International Development. *2011 CSO Sustainability Index for Central and Eastern Europe and Eurasia*, n.d. [www.usaid.gov/europe-eurasia-civil-society/cso-sustainability-2011](http://www.usaid.gov/europe-eurasia-civil-society/cso-sustainability-2011).



This often growing unequal distribution of wealth combined with improving local and global communications has led to growing public awareness in emerging countries of inequality of economic opportunity and benefits. It has also heightened concern about damaging public policies including environmental degradation, human rights abuses, corruption, and political oppression. In some countries, this inequality has led to largely spontaneous demonstrations of unrest. For example, there have been mass protests in China regarding environmental degradation and corruption affecting building of shoddy schools and failure to assure food safety. There have also been many cases of organized responses, as with mass protests and demonstrations regarding corruption in India. As political repression has eased and inequality has increased, there has been an explosion in the number of civil society organizations addressing social problems and seeking to intermeditate between the population and the government in the BRIC countries.<sup>19</sup>

Thus, there is a great opportunity for philanthropy in the developing world, due to the accumulation of extraordinary wealth in the hands of a few, and also a great need for strategic giving to address income inequality and accompanying social problems among those who have not benefited from the new economies.

## EXTERNAL INFLUENCES

Finally, individuals, foundations, corporations, and governments in the U.S. and other developed market economies have promoted local philanthropy and civil society in emerging countries. From a Western perspective, local philanthropy by the newly wealthy holds the promise of providing sustainable help to local societies, economies, and politics and helping to address the growing inequalities of wealth, health, and education in emerging markets. Therefore, the long-term goal of most philanthropic support from foundations based in the developed world has been to help develop local philanthropy and local civil society organizations.

In some cases, individual philanthropists have tried to set an example and thereby encourage wealthy counterparts in other countries. Americans, in particular, are paying increasing attention to the promise of philanthropy in newly wealthy countries and are working to encourage it. Perhaps most well known of these efforts is the Giving Pledge created by Bill Gates and Warren Buffett. The Pledge commits the wealthiest individuals and families to a moral obligation to give away the majority of their fortunes either in their lifetimes or after death. Gates and Buffett launched their Giving Pledge in the United States in 2010 and have taken it on the road to wealthy entrepreneurs in developed and emerging countries, urging them to use their wealth to help their societies. While many wealthy Americans have signed the Pledge, the impact in emerging countries remains to be seen.<sup>20</sup>

Another example of modeling and encouraging behavior is the Global Philanthropists Circle, founded by David Rockefeller and his daughter Peggy Dulany in 1986. It brings together wealthy individuals and families from a variety of countries in an effort to promote indigenous philanthropy.<sup>21</sup> Global corporations have also gotten into the act with programs of corporate social

responsibility, which have had a significant demonstration effect in some regions, especially Latin America.<sup>22</sup> Other external influences include the impact of Hong Kong philanthropists such as Li Kai-Shing<sup>23</sup> on wealthy mainland Chinese and the role of Diaspora philanthropy of overseas Indians and Chinese.<sup>24</sup> Furthermore, many children of wealthy entrepreneurs in the BRIC countries have studied or worked in the United States and other Western countries, witnessed personally the role of philanthropy in those countries, and brought new thinking home with them.<sup>25</sup>

Major Western foundations have also served as role models. After the fall of the Berlin Wall in 1989, private and government-supported foundations, both in the United States and elsewhere, moved rapidly into the former Communist countries of Eastern Europe and Russia to support a variety of philanthropic causes including scientific research, higher education, and libraries, as well as the development of the infrastructure and institutions of democracy and market economies. Some, including Ford and George Soros's foundation, established a physical presence in Russia to carry out their grantmaking there.<sup>26</sup> These and other Western philanthropies, including the Heinrich Böll Foundation of Germany; the MacArthur Foundation, and Carnegie Corporation, and the Charles Stewart Mott Foundation of the United States; and the British Charities Aid Foundation, launched grantmaking programs in Russia often focused heavily on building civil society. The Eurasia Foundation, a U.S. government-private sector partnership, was created in 1992 to develop "open, just and progressive societies" in Russia and other post-Communist countries.<sup>27</sup>

Western foundations have also created technical assistance programs targeted specifically at promoting local philanthropy around the world. For example, a Ford Foundation program entitled "Strengthening Civil Society and Philanthropy" was targeted at developing countries and sought "to increase the effectiveness of civic organizations by strengthening their infrastructure and regulatory environment" and to "fund infrastructure organizations to help keep philanthropy strong and effective in their efforts to support civil society worldwide." The Charles Stewart Mott Foundation and the W. K. Kellogg Foundation have been involved in Latin America and other regions, promoting philanthropic infrastructure and leadership with financial and technical support. The Rockefeller Brothers Fund has an active program to develop civil society in China, and the Rockefeller Foundation has sought to be "a catalyst for the development of philanthropy on a global basis." American and other Western foundations have also helped support global and regional networks of donors in emerging countries, including the Global Philanthropists Forum and the Russian Donors Forum.<sup>28</sup>

Finally, some Western organizations offer support and outsourcing services to newly formed foundations. The Council on Foundations, the Foundation Center, and the International Center for Not-For-Profit Law provide technical assistance and other support for grantmakers outside the United States. The Charities Aid Fund, headquartered in the United Kingdom, and the Rockefeller Philanthropic Advisors in the United States offer services ranging from helping donors develop their strategy of grantmaking, providing expert grant officers, and identifying grants to financial, insurance, legal, and accounting services.



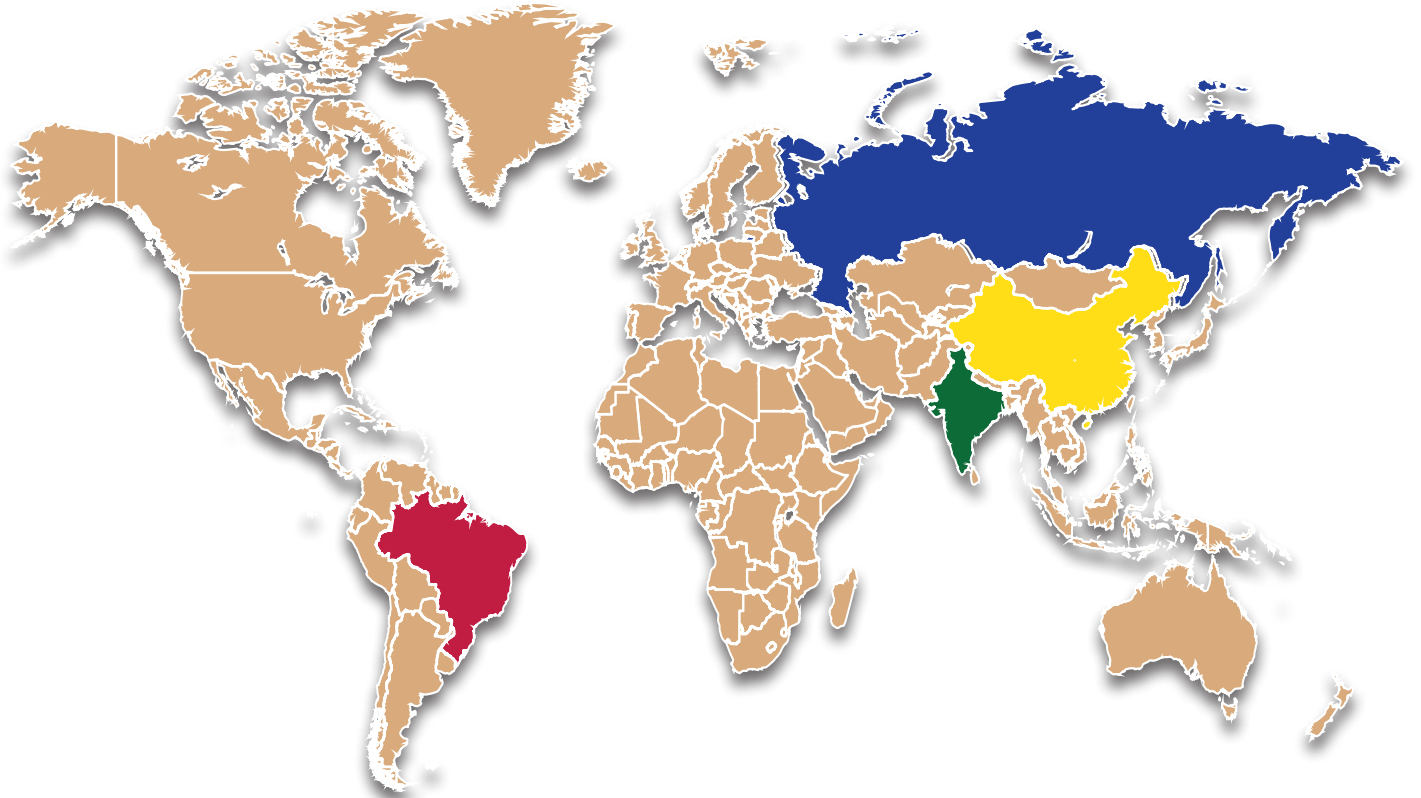
3. The philanthropy of both Carnegie and Rockefeller, for example, were strongly influenced by their religious beliefs. See: Ron Chernow, *Titan: The Life of John D. Rockefeller, Sr.* (New York: Random House, 1998), pp. 37–61; 299–329 and 561–70; Raymond B. Fosdick, *The Story of the Rockefeller Foundation* (New York: Harper & Brothers, 1952).
4. On the role of the Russian Orthodox Church see: Adele Lindenmeyr, “The Ethos of Charity in Imperial Russia,” *Journal of Social History* 23, no. 4 (1990): 680–82. On the role of the Catholic Church in Latin America see: Leilah Landim and Andres Thompson, “Non-governmental organizations and philanthropy in Latin America: an overview,” *Voluntas* 8, No. 4 (1997): 339–341.
5. On the role of zakat in Arab countries, see Barbara Ibrahim et al., *From Charity to Change: Trends in Arab Philanthropy*, John D. Gerhart Center for Philanthropy and Civic Engagement, American University of Cairo, January 2008.
6. One of India’s most important charitable organizations was endowed by Parsis from a priestly family. In the nineteenth century, Jamsedji Tata began what is now a global industrial empire; his sons Dorabji and Ratan established the Tata Trusts in the early twentieth century. Since then, Tata philanthropy has played an important role in Indian education, the study of poverty, and the Indian independence movement. Today, the grant programs of the Trusts address the rural economy, health, enhancing civil society, and arts and culture. On the broad impact of “dana” in India, see: Priya Viswanath and Noshir Dadrawala, op. cit. and speech by Rohini Nilekani at the launch of the Indian Philanthropy Forum (IPF) in Mumbai, 18–19 March 2010 at [www.alliancemagazine.org/node/3348](http://www.alliancemagazine.org/node/3348).
7. See: [beyondprofit.com/mind-the-gap-the-current-state-of-indian-philanthropy/](http://beyondprofit.com/mind-the-gap-the-current-state-of-indian-philanthropy/)
8. [www.asiapacificphilanthropy.org/node/19](http://www.asiapacificphilanthropy.org/node/19)
9. One institutionalized and endowed form of charitable endowments occurred in the Muslim Arab countries and on the Indian subcontinent where the Islamic concept of “zakat” became formalized and institutionalized over time with the creation of “waqfs.” Waqfs, often translated as “Islamic endowments,” are endowments of property or money bequeathed in perpetuity to religious authorities for administration and public use including support of mosques, hospitals, schools, and the poor. In the mid-twentieth century, the waqfs in Middle Eastern countries often became subject to state control. Middle Eastern authorities feared that the waqf, as sources of funding and patronage, constituted a challenge to their sovereignty. Waqfs also ran counter to concepts of state socialism that prevailed in some Arab countries. Thus, for example, the waqfs in Egypt were nationalized by the state in the 1950s and put under the control of a government ministry. In countries like Kuwait and Qatar where waqf structures have not been closely controlled, they remain a preferred form of endowed private philanthropy. Since the thirteenth century, India’s large Muslim population has also followed the Islamic concepts of zakat and waqf. After Indian independence, waqfs were regulated by government and today are largely devoted to religious purposes including support of mosques, graveyards, and other Islamic charities. See Ibrahim, op. cit.
10. See: Natalia Dinello, “Elites and Philanthropy in Russia,” *International Journal of Politics, Culture, and Society* 12, no. 1 (1998): 113, and Jamey Gambrell, “Philanthropy in Russia,” *Carnegie Reporter*, Vol. 3, No. 1, Fall 2004.
11. See, for example, [www.genesisfoundation.org](http://www.genesisfoundation.org).
12. See: André Laliberté. “The Institutionalizations of Buddhist Philanthropy in China.” in *State and Society Responses to Social Welfare Needs in China: Serving the People*, edited by Johnathan Schwartz and Shawn Shieh. London: Routledge 2009.
13. Or: André Laliberté. “Entre Désécularisation Et Resacralisation: Bouddhistes Laïcs, Temples Et Organisations Philanthropiques En Chine.” *Social Compass* 56, no. 3 (2009). UBS, UBS-INSEAD Study on Family Philanthropy in Asia, [www.ubs.com](http://www.ubs.com), p. 55.
14. See David E. Hoffman, *The Oligarchs: Wealth and Power in the New Russia* (New York: Public Affairs, 2003). For a detailed report on the family of Prime Minister Wen Jiabao see: David Barboza, “Billions in Hidden Riches for Family of Chinese Leader,” *New York Times*, October 25, 2012, [www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china.html?pagewanted=all&r=0](http://www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china.html?pagewanted=all&r=0).
15. On China, see UBS-INSEAD Study, op. cit., p. 34 & 60–61; For a discussion of new Russian elites and their attitudes to and role in philanthropy see: Jamey Gambrell, “Philanthropy in Russia,” op. cit.
16. It should be noted that this growing gap was more extreme but not unlike that in developed market economies.
17. OECD - Special Focus: Inequality in Emerging Economies (EEs) – 2011, [www.oecd.org/dataoecd/40/13/49170475.pdf](http://www.oecd.org/dataoecd/40/13/49170475.pdf).  
As opposed to what has been taking place in these emerging economies, in the West for example, “from the late 19th century until the 1970s, the advanced societies of the West were all becoming less unequal. Thanks to progressive taxation, government subsidies for the poor, the provision of social services and guarantees against acute misfortune, modern democracies were shedding extremes of wealth and poverty.” Tony Judt, *Ill fares the land* (Penguin, 2010). 13.
18. William Shaw, Bennett Stancil, “Implications of Rising Inequality in Emerging Markets,” Carnegie Endowment for International Peace, *International Economic Bulletin*, November 17, 2011.
19. See below for the growth and nature of civil society organizations.
20. In the United States the Giving Pledge has persuaded dozens of families to participate. One example of taking the Pledge to newly wealthy countries occurred in 2010 when Gates and Buffett met with business leaders in China to learn about philanthropy in China, and to exchange views on and encourage philanthropy. See: “Giving Pledge; Bill Gates and Warren Buffett Join Business Leaders and Philanthropists to Discuss Philanthropy in China,” *China Business Newsweekly*, October 12, 2010. One wealthy entrepreneur, Chen Guangbiao, chairman of Jiangsu Huangpu Renewable Resources Utilization, said in an open letter to Gates and Buffett posted on his company website that he would donate his entire fortune of more than five billion yuan (\$735 million) to charity when he dies. See: [www.chinadaily.com.cn/china/2010-09/07/content\\_11265386.htm](http://www.chinadaily.com.cn/china/2010-09/07/content_11265386.htm). Many others publicly declined. See “Bill and Warren’s Excellent (Chinese) Adventure,” September 27, 2010 in China Behind the Headline by The China Beat, by Caroline Reeves, [www.thechinabeat.org/?cat=10](http://www.thechinabeat.org/?cat=10). In March 2011, Buffett and Gates traveled to India where they met behind closed doors with some 70 business people. See: [www.nytimes.com/2011/03/25/business/global/25rupee.html?\\_r=1&sq=buffett%20gates%20india&st=cse&scp=1&pagewanted=print](http://www.nytimes.com/2011/03/25/business/global/25rupee.html?_r=1&sq=buffett%20gates%20india&st=cse&scp=1&pagewanted=print). The Gates Foundation also has worked directly with philanthropists and their foundations on projects in emerging countries. For example, in 2010 the Gates Foundation, the Health Institute of the Carlos Slim Foundation, the Government of Spain, and the Inter-American Development Bank collaborated to establish “Salud Mesoamérica 2015” to reduce health inequities in Central America and Southern Mexico. See: [www.gatesfoundation.org/Media-Center/Press-Releases/2010/06/Gates-Foundation-Carlos-Slim-Health-Institute-Spain-and-the-IDB-to-Improve-Health-in-Mesoamerica](http://www.gatesfoundation.org/Media-Center/Press-Releases/2010/06/Gates-Foundation-Carlos-Slim-Health-Institute-Spain-and-the-IDB-to-Improve-Health-in-Mesoamerica).
21. The GPC is a program of the Synergos, also founded by Dulaney and Rockefeller. See: [Synergos.org](http://Synergos.org).
22. See “The Corporate Contribution: Social Responsibility in Changing Times,” Section II in Cynthia Sanborn and Felipe Portocarrero (eds.), *Philanthropy and Social Change in Latin America* (Cambridge, MA: Harvard University, David Rockefeller Center for Latin American Studies, 2005), pp. 103–251; Lester M. Salamon, *Rethinking Corporate Social Engagement: Lessons from Latin America* (Sterling, VA: Kumarian Press, 2010).
23. Li Kai-shing of Hong Kong, for example, announced in 2006 that he would donate a third of his fortune to his philanthropic foundations for support of Chinese universities and other causes and that he wanted to adopt the American model of philanthropy. See Judith H. Dobryznski, “Philanthropy in China,” *Carnegie Reporter*, Spring 2008.
24. See Barbara J. Merz, Lincoln D. Chen, and Peter F. Geithner, eds, *Diasporas and Development*, Harvard University Press, Cambridge, Mass., 2007; Peter F. Geithner, Paula D. Johnson and Lincoln C. Chen, *Diaspora Philanthropy and Equitable Development in China and India*, Harvard University Press, Cambridge, Mass., 2004.
25. See UBS-INSEAD, op. cit. p. 35.
26. On efforts to promote democracy and civil society in Russia and Eastern Europe, see: Joan E. Spero, *The Global Role of U.S. Foundations* (New York: The Foundation Center, 2010), pp. 22–28.
27. [www.eurasia.org](http://www.eurasia.org)
28. See websites of these foundations and [foundationcenter.org](http://foundationcenter.org).

# New Philanthropy in Emerging Market Countries

**A**s a result of these multiple forces, new foundations of all types—family, community, and corporate as well as what Americans would consider operating foundations—have been created at a rapid pace in the emerging market countries. It is difficult to find accurate and current data about foundations and grantmaking in individual countries, let alone data that can be compared across countries. However, a variety of studies reveal significant, identifiable growth in giving, the formation of grantmaking organizations, and the gradual development of the philanthropic sector.<sup>29</sup>

In each country, the political environment plays a crucial role in the development of foundations and giving. As used in this study, the political system includes: the structure of government, the legal and regulatory regime governing foundations, political culture (attitudes beliefs that influence the political system), and civil society or the “third sector” (non-governmental, nonprofit organizations that express the will and views of the public).

29. One important global effort to gather and map data was led by Lester Salamon and Helmut Anheier. See Salamon and Anheier, eds., *Global Civil Society, Dimensions of the Nonprofit Sector* (Baltimore: Johns Hopkins University, 1999). Other available sources are cited throughout this study.



# RUSSIA

In Russia, modern foundations emerged after decades of Communism. Before the communist revolution of 1917, there had been a Russian tradition of giving by aristocratic families and wealthy industrialists. While much of that giving centered on the arts, wealthy Russians also made contributions for social and public needs. Under the Communist regime, however, public well-being was considered the sole responsibility of the state and, thus, the Soviet Union did not permit organized charity or philanthropy. As one analyst put it: “in Soviet times... “charity” or “patronage” was considered a demeaning, manipulative capitalist practice and was forbidden.”<sup>30</sup>

The fall of the Communist regime was accompanied by the rise of a new, wealthy group of industrialists and entrepreneurs. By the mid-1990s, individual giving had risen to an estimated \$1 million while corporate giving rose to an estimated \$100 million.<sup>31</sup> Giving increased rapidly after 2000, following the privatization of state-owned companies and the accumulation of great wealth by the so-called “oligarchs” and other business entrepreneurs.<sup>32</sup> Corporate giving began to substitute for the former role of state-owned enterprises in providing social services to the communities in which they operated.

In addition, new private foundations based on individual and family wealth were created that were distinct from corporate giving. As used in this study, private foundations are defined as secular, nonprofit organizations that make grants or run grant programs, are independent of government, and are locally owned, governed, and operated. By the end of 2006, affluent Russians had established over twenty foundations, some of which were making significant grants. These included the Vladimir Potanin Charity Fund based on wealth from Norilsk Nickel and Rosbank; the Foundation for Cultural Initiatives created by Mikhail Prokhorov of Norilsk Mining Company; the Dynasty Foundation established by Dr. Dmitry Zimin, who made a fortune in wireless telecommunications; and the Open Russia Foundation established by Mikhail Khordorkovsky, who controlled the oil giant Yukos.

Initially, Russian private giving focused primarily on patronage of the arts and the Orthodox Church, support for orphanages, and children’s health. According to one expert, “[t]hese acts were usually isolated, one-time affairs and entirely lacking in any systematic philosophical approach.”<sup>33</sup> With time, however, the new Russian foundations and their corporate counterparts have become more philanthropic and more strategic, funding education and scientific research along with cultural causes. One interesting example is the Genesis Philanthropic Group, created by several wealthy Russians of Jewish heritage. Genesis supports programs to develop Jewish identity among Russian-speaking Jews worldwide and funds programs in the former Soviet Union, the United States, and Israel. This international



scope and its efforts to alter awareness among Russian-speaking Jews worldwide distinguish Genesis from most other Russian foundations.<sup>34</sup>

Over time, the philanthropic sector in Russia has become more organized and professional. In 1993, for example, the UK nonprofit organization Charities Aid Fund created CAF Russia to work with individuals, foundations, corporations, and other donors in Russia. CAF Russia helps donors develop and execute charitable programs, provides professional education, and works to enhance public awareness of and the legal and administrative framework for the philanthropic sector in Russia.<sup>35</sup> In 1998, five Russian and foreign philanthropic organizations including American (MacArthur and Open Society Institute) and Russian foundations (V. Potanin’s Charity Fund) formed the Russian Donors Forum as an official NGO, which quickly grew to include over forty Russian and foreign members. The stated mission of RDF is “to enhance the effectiveness of organized grantmaking that aims to support the development of a democratic civil society in Russia.” One of the Forum’s first activities was to develop a code of ethics for philanthropy. Its stated principal activities are “organizing the exchange of information between grantmakers and facilitating networks among them; providing useful and timely information pertaining to the operating environment for grantmaking; promoting minimum standards in the practice of grantmaking; making other services available for the organizational development of member institutions in accordance with the overall mission.”<sup>36</sup>

The actual impact of the RDF and of its members remains to be seen as the role of charitable organizations in Russia has been constrained by a number of public policies (see below).







## THE POLITICAL ENVIRONMENT

The number of civil society organizations in Russia has grown dramatically since the fall of communism. According to one estimate,

Russia now has 220,000 non-governmental organizations of all types, including a lively media and a variety of outspoken advocacy groups.<sup>37</sup> However, the third sector is still in its infancy: most organizations lack adequate funding and trained leadership, and the sector as a whole is not always seen as legitimate by the government and the public. As a result, the legal and regulatory regime in Russia in many ways discourages the development of a strong civil society and, in turn, confines the role of philanthropy.<sup>38</sup>

At the time of the fall of communism in Russia, there was no legal or regulatory regime covering civil society institutions. In the Communist era, as we have seen, the state alone assumed responsibility for the needs of its citizens. Despite the absence of a governing regime, many civil society organizations were created after 1990. Many, especially in the fields of education, scholarship, human rights, and the environment, were supported by foreign donors seeking to build Western-style civil society as a way to strengthen democracy in Russia.<sup>39</sup> Other so-called foundations or charitable organizations created in this period were, in fact, vehicles for graft and corruption. One notorious case was the National Sport Fund, which had license “to import and sell liquor, tobacco and other coveted consumer goods without being subject to the usual taxes.”<sup>40</sup> Abuse by this and other supposedly charitable organizations reinforced public and elite suspicions dating from the Soviet years regarding civil society organizations and foundations.

In the 1990s, as noted above, privatization contributed to the emergence of the so-called “oligarchs” and to the creation of both corporate and private foundations. Despite examples of fraud, the newly wealthy have enthusiastically embraced charitable giving. Although there were no tax benefits for such giving and contributions to nonprofit organizations were taxed as income, corporate giving soared primarily to fund social services once provided by the state. Wealthy Russians also started to form foundations based on their private fortunes. The activities of one private foundation, however, quickly attracted the attention and ire of Russian political leaders.

In 2001, Mikhail Khordorkovsky and other wealthy shareholders of Yukos, the Russian oil company, founded the Open Russia Foundation. Funded by their own private wealth and separate from Yukos’ corporate foundation, Open Russia’s mission included support for “democratic reforms, strengthening civil society and stimulating entrepreneurial spirit.” Two of its five priorities were: “assisting in the dissemination of objective and truthful information about the activities of Russian government and social institutions” and “continual monitoring and public expertise of Russian legislation.”<sup>41</sup> Along with many other programs, Open Russia Foundation supported human rights organizations, political research on legislative proposals, training programs for journalists, and help for victims of government abuse. The activities of Open Russia along with his political ambitions and public statements led to serious political and legal troubles for Khordorkovsky. Yukos has been taken over by the Russian government, Open Russia has been disbanded, and Khordorkovsky was jailed from 2003 to 2013. The Khordorkovsky affair sent a message to other Russian foundations. Russian philanthropists have avoided philanthropic activities that might be deemed to have political connotations, especially the funding of advocacy groups.

In the last decade, Russia has put in place new tax, legislative, and regulatory regimes for nonprofit organizations. In 2002, a new tax regulation allowed deduction of grants for cultural, art, environmental, education, and scientific projects but not, for example, for social welfare services, healthcare, and protection of human rights. In 2006, Russia enacted legislation regarding non-governmental organizations that had a chilling effect on foreign donors and on the third sector as a whole. According to the International Center for Non-Profit Law, the legislation: “introduced burdensome and difficult-to-meet reporting requirements for NGOs [non-governmental organizations], accompanied by severe penalties for non-compliance; new and similarly burdensome registration procedures for Russian and foreign NGOs operating in Russia; and new broad powers of the registration bodies to audit the activities of NGOs. The legislation raised special concerns because it allowed for broad and restrictive interpretation. Some reporting requirements are not only difficult and costly to comply with, but also generally hard to understand, leaving room for discretion in determining whom to target when enforcing these rules.”<sup>42</sup>

One of the main targets of the legislation has been foreign donations. In 2012, new laws were enacted requiring all non-commercial organizations (NCOs) to register with a specially authorized governmental body prior to receiving funding from any foreign sources if they intend to conduct political activities and, if they received such funding, to be considered as foreign agents.<sup>43</sup> As a result of this legislation and regulation, a number of foreign foundations including Soros and Ford closed their Russian offices and private foreign funding has declined.<sup>44</sup> Another consequence is that Russian benefactors have focused on apolitical programs such as support for social welfare, education, health, and youth and avoided funding many independent civil society organizations with a social or advocacy agenda.<sup>45</sup>

30. Gambrell, op. cit.

31. Ibid.

32. On the oligarchs see: Hoffman, op cit.

33. Gambrell, op. cit. p. 5.

34. [www.gpg.org](http://www.gpg.org).

35. [www.cafrussia.ru](http://www.cafrussia.ru).

36. [www.donorsforum.ru/english](http://www.donorsforum.ru/english).

37. “NGO Law Monitor: Russia,” International Center for Non-Profit Law, [www.icnl.org/research/monitor/russia.html](http://www.icnl.org/research/monitor/russia.html).

38. For a contrasting view see Debra Javeline and Sarah Lindemann-Komarova, “A Balanced Assessment of Russian Civil Society,” *Journal of International Affairs*, Spring/Summer 2012, vol. 63, No. 2, pp. 171–188.

39. International foundations active in supporting advocacy groups including human rights and environmental organizations included George Soros’s OSI, the MacArthur Foundation, the Ford Foundation, the Charles Stewart Mott Foundation, the Howard Hughes Medical Foundation, the Carnegie Corporation of New York, the Eurasia Foundation (a public-private partnership), the British Charities Aid Foundation, and Germany’s Heinrich Böll Foundation. As noted above, Western foundations were involved in the creation and have been members of the Russian Donors Forum. Government funding from the U.S. and European countries also supported civil society. See Gambrell, op. cit.

40. Gambrell, op. cit.

41. Ibid.

42. Ibid. See also: J. Khodorova, “Philanthropy in Russian Society Today,” *International Journal of Not-for-Profit Law*, Vol. 8, no. 3 (2006).

43. Ibid. In 2012.

44. See: Aleksey Bogoroditskii, “Restrictions on Foreign Funding of Civil Society: Russia,” *International Journal of Not-for Profit Law* 12, No. 3 (2010). The policy of discouraging foreign grants has culminated with the banning of USAID from the country in 2012.

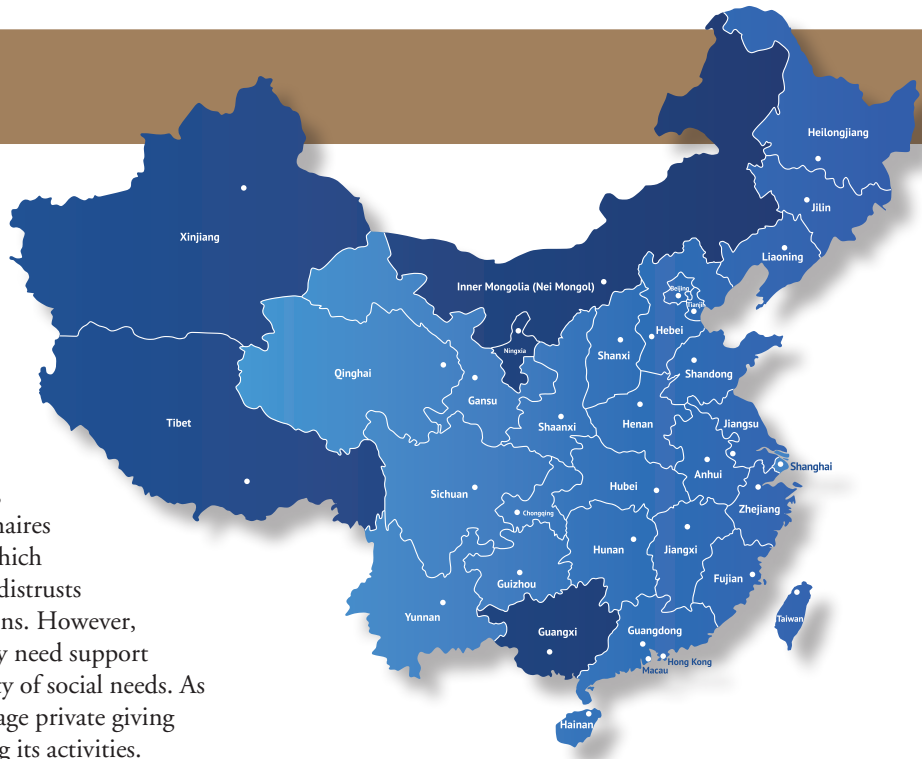
45. J. Khodorova, “Philanthropy in Russian Society Today,” *International Journal of Not-for-Profit Law* 8, no. 3 (2006) op. cit.

# CHINA

Foundations also emerged from the new, more liberal economic environment in China.<sup>46</sup> The opening up of the Chinese economy begun in 1979 by Deng Xiaoping led to rapid growth and created vast new wealth for hundreds of Chinese entrepreneurs, along with a large and prosperous middle class, while millions of poor Chinese remained marginalized. The Hurun Research Institute, based in Shanghai, has estimated that China had over 230 billionaires in 2012.<sup>47</sup> The Chinese Communist Party, which continues to dominate politics and the state, distrusts organized, autonomous nonprofit organizations. However, Chinese leaders have come to believe that they need support from the new private sector to address a variety of social needs. As a result, the government has begun to encourage private giving while watching carefully over and constraining its activities.

Some of the new giving originated in Hong Kong, which since 1997 has been part of China but is administered separately. In 2006, Li Ka-shing, chairman of Hutchison Whampoa and Cheung Kong Holdings, announced that he would donate a third of his wealth, estimated to be \$32 billion, to his foundations for the support of Chinese universities as well as other causes around the world. One of Li's intentions was to motivate mainland Chinese entrepreneurs to follow his example.<sup>48</sup> A number did.

In 2012, the Hurun Research Institute published its ninth Hurun Philanthropy List identifying one hundred Chinese donors who together contributed the equivalent of \$1.6 billion between January 2011 and March 2012 to support charitable causes including healthcare, education, poverty alleviation, disaster relief, and social welfare, as well as culture and sports. The vehicles for such contributions ranged from personal giving to foundations controlled by families or family-owned corporations.<sup>49</sup> There has been only limited giving in more politically sensitive fields such as civil and human rights, environmental protection, or other advocacy causes.



Often, Chinese giving has a local or regional focus based on the donor's origins or business operations. Corporate social responsibility programs supported by the largest Chinese companies are also on the increase. Because of legal and regulatory impediments (see below), most giving is directed by and done in conjunction with government-sponsored organizations such as the Chinese Red Cross.<sup>50</sup>

The philanthropic sector in China is developing rapidly. One key example is the China Foundation Center (CFC), which was established in 2010 to provide information “to leading decision makers in media, corporate responsibility, research institute, foundations, government, and donors, powered by the world’s most comprehensive Chinese foundation database.”<sup>51</sup> The chair of the Foundation Center and many members of the board and staff have charitable expertise as well as government ties. The Center is both a service and research organization. One of its major projects is the Foundation Transparency Index (FTI), whose objective is “to set a new standard for the ethical conduct of foundations in China.”<sup>52</sup> The FTI has developed sixty transparency indicators that it uses to rate 2,700 Chinese foundations. Foundations provide the CFC information on: governance (e.g., official registration, board membership, charter); public reporting (e.g., annual report and web site); financial data; project data; and foundation donor/s. The Center then uses a formula to analyze the data and rate foundations “according to the level and quality of publicly disclosed information about their activities, finances and governance to meet growing demands for transparency in the digital age.”<sup>53</sup>





## THE POLITICAL ENVIRONMENT

Some argue that in Communist China today there is no such thing as a civil society, since so many associations, including those calling themselves non-governmental organizations or NGOs, were created and/or are supported by the government. Many of the more than 400,000 organizations registered with the Ministry of Civil Affairs, including the China Red Cross Society and the China Charity Federation, are in fact not NGOs but government-organized non-governmental organizations or GONGOs.<sup>54</sup> The absence of independent non-governmental organizations reflects the view of Communist authorities that the state is responsible for social well-being and that independent NGOs are potentially anti-government organizations that authorities are unable to control.

Nevertheless, in the last decade there has been a growth of unofficial grassroots NGOs and networks in China. These organizations have been formed, often spontaneously, to engage in issues that concern the public at large, including providing disaster relief and other emergency support to the needy and protecting the environment. According to some estimates, the number of unregistered NGOs may be over a million.<sup>55</sup> Some scholars argue that the rise of civil society in China is tied to the authorities' realization that civil society, including religious organizations, could be harnessed to provide aid and services to the population, especially in times of crisis. Studies identify the 2008 earthquake in Sichuan Province, which led to a mobilization of private support throughout China, as a "watershed" in the development of both giving and civil society in China.<sup>56</sup>

Chinese law and regulations promulgated in 2004 make it possible to register civil society organizations and foundations. However, stringent conditions on registration, organizing, and funding make it difficult to establish nonprofit organizations, whether to deliver services, to engage in policy debate, or to advocate on behalf of particular constituencies.<sup>57</sup>

Chinese law recognizes two types of what are called "foundations." Public foundations, which may solicit funds from the public, require dual ministry registration. Such foundations must obtain sponsorship of a government agency willing to supervise them, which may be difficult if there is already an NGO or GONGO working in the same field. They must also have approval from and supervision by the Ministry of Civil Affairs in Beijing or a local civil affairs bureau. Private foundations, which may not raise funds publicly, have a different status under the law. They require "registration capital" (i.e., endowments), cannot solicit public funds, and must register only with the Ministry of Civil Affairs.<sup>58</sup> Chinese law and regulations allow limited tax deductions for charitable giving.<sup>59</sup>

Chinese civil society organizations, including public and private foundations, are strictly controlled by the Ministry of Civil Affairs. The ministry prohibits activities such as advocacy and legal assistance and constrains work in labor, religious and ethnic affairs. It also requires substantial reporting and permits significant intervention in internal affairs of organizations.<sup>60</sup>

The legal system does not ensure transparency and disclosure of spending by and actions of NGOs and foundations, which undermines confidence in such entities.<sup>61</sup> The China Foundation Center's project on Foundation Transparency is one effort to overcome this lack of transparency and resulting lack of confidence in foundations and civil society organizations. Finally, China's foreign exchange regulations and burdensome procedural requirements make it difficult for civil society organizations to receive foreign funding.<sup>62</sup> As a result of these barriers, many organizations choose to either register as for-profit organizations or not register at all. In China, government-affiliated foundations and other government-organized NGOs (GONGOS) are the norm.<sup>63</sup>

46. Although legally a part of China, Hong Kong has a different political culture and political regime that are not discussed in this paper. Many Hong Kong-based foundations direct their giving at mainland China. For background on Hong Kong see: UBS-INSEAD, op. cit., pp. 68–73.

47. [www.hurun.net](http://www.hurun.net).

48. See Judith H. Dobrzynski, "Philanthropy in China," *Carnegie Reporter*, Spring 2008.

49. [www.hurun.net](http://www.hurun.net); UBS-INSEAD, op. cit., pp. 60–67.

50. See UBS-INSEAD, op. cit., pp. 60–61.

51. [cn.foundationcenter.org.cn](http://cn.foundationcenter.org.cn).

52. Ibid.

53. Ibid.

54. Shawn Shieh and Guosheng Deng, "An Emerging Civil Society: The Impact of the 2008 Sichuan Earthquake on Grass-Roots Associations in China," *The China Journal* 65(2011): 183. Shieh and Deng trace the origin of these organizations to the early 1990s with the creation of NGOs like Red Maple Women's Psychological Counseling Center and the environmental group, Friends of Nature.

55. Ibid., 185. Shieh and Deng argue that the distinction between NGOs and GONGOS should not be overemphasized, as the latter have in some cases become more independent and in others have close associations with real NGOs.

56. André Laliberté, "The Institutionalizations of Buddhist Philanthropy in China," in *State and Society Responses to Social Welfare Needs in China: Serving the people*, ed. Johnathan Schwartz and Shawn Shieh, *Contemporary China Series* (London: Routledge 2009), 113. In the aftermath of a series of destructive floods in 1991, the Ministry of Civil Affairs reached out to a Buddhist philanthropic organization for help. In 2008, the earthquake in Sichuan Province provoked a surge "of volunteers, civic associations, enterprises and media from across the country" to help in the reconstruction effort. Public donations exceeded 30 billion yuan within two weeks of the catastrophe. Both government-organized NGOs (GONGOs) and numerous grassroots organizations were involved, marking a trend towards a more active civil society and away from a purely top-down form of crisis management. Shieh and Deng, op. cit., p. 181–182. See also UBS-INSEAD, op. cit., p. 60.

57. Shieh and Deng, p. 183. See also: Nick Young and June Shih, "Philanthropic Links Between the Chinese Diaspora and the People's Republic of China," in *Diaspora Philanthropy and Equitable Development in China and India*, Peter F. Geithner, Paula D. Johnson, and Lincoln Chen, eds. (Cambridge, Mass.: Harvard University Press, 2004), p. 148.

58. Bao Daozu, "Charity law faces delay," *China Daily*, November 3, 2010.

59. Taxpayers may deduct 2 percent of their salaries for charity. There is also no estate tax in China, which is considered by some to be a motivation for charitable giving in the West. See Judith H. Dobrzynski, "Philanthropy in China," *Carnegie Reporter*, 2008. China's tax system is also an important barrier to the formation of foundations. The government imposes heavy taxes on the donations of assets, particularly company stock, for charitable purposes and on the income from the assets of foundations and nonprofit organizations.

60. The International Center for Not-for-Profit Law, *NGO Law Monitor: China*, 20 February 2013, [www.icnl.org/research/monitor/china.html](http://www.icnl.org/research/monitor/china.html).

61. Wang Wei, "Western Philanthropy Model Can Hardly Be Copied in China: Experts," [english.cri.cn/7146/2010/09/29/2361s596846.htm](http://english.cri.cn/7146/2010/09/29/2361s596846.htm).

62. David Moore and Douglas Rutzen, "Legal Framework for Global Philanthropy: Barriers and Opportunities," *The International Journal of Not-For-Profit Law* 13, no. 1–2 (2011).

63. Nick Young, "Richesse Oblige and So Does the State: Philanthropy and Equity in China," in *Diaspora Philanthropy and Equitable Development in China and India*, ed. Geithner P F, Johnson P D, and Chen L C (Global Equity Initiative, Asia Center: Harvard University, 2005), 52.

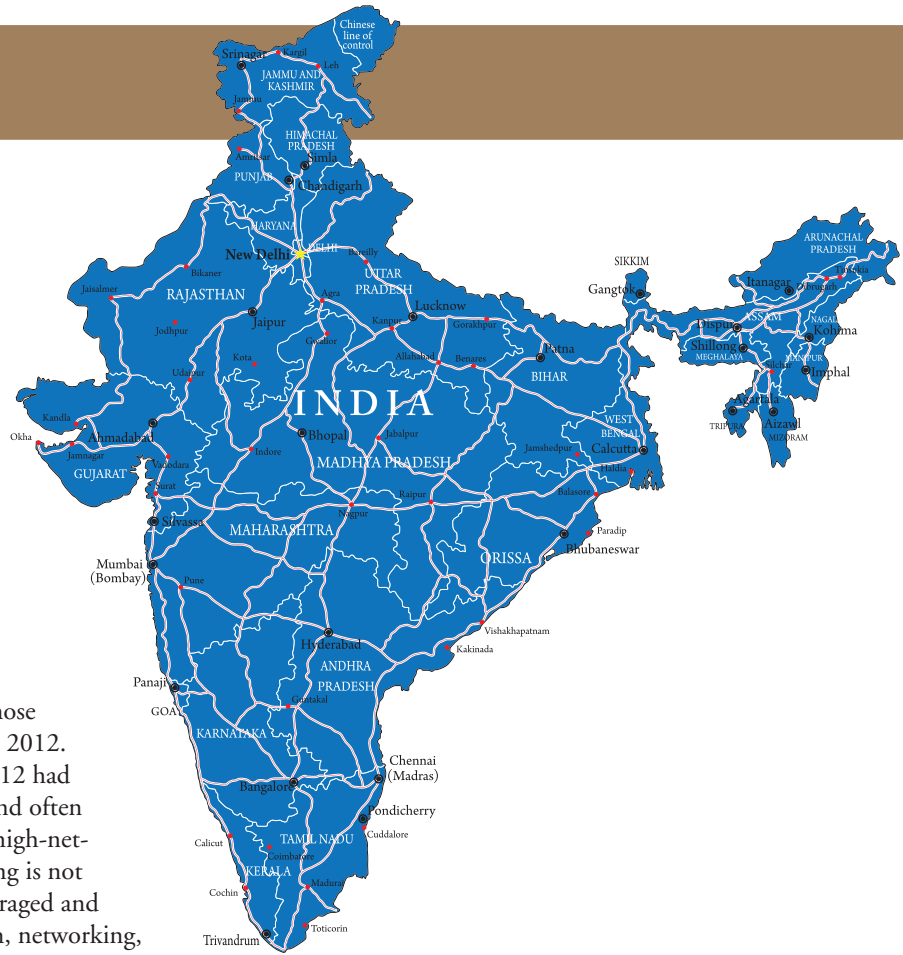


# INDIA

There has also been a rapid growth of charitable activity in recent decades in emerging market countries that have a continuous tradition of giving. India has a long history of giving based on religion as well as a history of philanthropy by entrepreneurs such as the Tatas, who made industrial fortunes in the nineteenth and twentieth centuries and created foundations to support a variety of causes, including education and health. As India opened its markets in the 1990s, new fortunes were created and the newly wealthy, especially younger Indians, gradually turned to philanthropy.

According to a report by Bain and Company, India leads other developing countries in private charitable giving, with donations estimated at between 0.3 and 0.4 percent of GDP and with those donations growing 50 percent between 2011 and 2012. Interestingly, over 70 percent of the donors in 2012 had less than three years of grantmaking experience and often are the sons and daughters of the newly wealthy high-net-worth individuals.<sup>64</sup> While much of the new giving is not yet organized, the newly wealthy are being encouraged and assisted by organizations such as Dasra, a research, networking, and training organization founded in the 1990s. Dasra brings together donors, social entrepreneurs, and non-governmental organizations through the Indian Philanthropy Forum and supports giving at many levels of wealth.

Among the newly and extremely wealthy in India, there is a growing trend to establish and endow foundations. These include the Azim Premji Foundation, based on wealth from WIPRO, a global information technology, consulting, and outsourcing company; the Bharti Foundation, based on a fortune in telecommunications and telephony; several trusts to support education and sports created by Lakshmi Mittal, whose wealth has come from the steel industry; and the Shiv Nadar Foundation, based on wealth from information technology. In many cases, it is difficult to separate Indian corporate giving from family or individual philanthropy. All of these new foundations have a heavy focus on education and bridging the socioeconomic divide in India. The emphasis on social change is an important and distinguishing feature of contemporary Indian philanthropy, differentiating it from charitable giving in Russia and China.







## THE POLITICAL ENVIRONMENT

As a lively democracy since 1948, India has not experienced the prohibition of or controls on civil society organizations and foundations that have existed in Russia and China. Indeed, India has a long tradition of giving and a longstanding and active third sector. Unlike Russia and China, where the sector has grown primarily in the last two decades, most civil society organizations in India have long been established. Because the vast majority of nonprofit organizations are small and unregistered, it is difficult to determine the size of the third sector.<sup>65</sup> The best study, dating from 2003, puts the number of registered and unregistered civil society organizations at 1.2 million. Their activities range from advocacy and government oversight to providing services to the poor. The largest number of organizations, 26.5 percent, was estimated to be religious institutions; non-religious organizations that address community and social issues were estimated at 21.5 percent of the sector; and the rest, in diminishing percentages, were engaged in education, sports, culture, and health. Financial support for civil society organization was estimated to come from official grants (30 percent), fund raising by the organizations themselves (51 percent), and foreign sources (7.4 percent).<sup>66</sup>

While the Indian nonprofit sector is large and lively, India's legal, tax, and regulatory systems do not encourage the creation of foundations. Laws governing the sector are complex and archaic and their implementation is cumbersome and bureaucratic. One important law, for example, dates from 1860.<sup>67</sup> Because charity is subject to individual state and not national control, legal regimes governing private charitable organizations vary from state to state.<sup>68</sup> Tax laws and regulations are another issue for donors. A 2011 survey of donors pointed to tax laws as one of the top deterrents to philanthropy.<sup>69</sup> Nonprofit organizations themselves are tax exempt<sup>70</sup> but tax deductions for charitable donations are limited and complex.<sup>71</sup> India's charity and tax laws give significant authority to India's cumbersome bureaucracies that administer the laws.<sup>72</sup> Another problem is the lack of accountability and transparency of many charitable organizations. The 2011 survey of donors pointed to lack of accountability along with tax laws as one of the top deterrents to giving. Finally, India's laws regulating funds from abroad are also cumbersome.<sup>73</sup>

64. Arpan Sheth, *India Philanthropy Report 2012*, Bain and Company, pp. 3–5, [www.bain.com/Images/REPORT\\_India\\_Philanthropy\\_Report\\_2012.pdf](http://www.bain.com/Images/REPORT_India_Philanthropy_Report_2012.pdf). See also: Arpan Sheth, "An Overview of Philanthropy in India, Bain and Company, March 19, 2010, [www.bain.com/Images/India\\_Sheth\\_Speech.pdf](http://www.bain.com/Images/India_Sheth_Speech.pdf) and Arpan Sheth and Madhur Singhal, *India Philanthropy Report 2011*, Bain and Company, 2011, [www.bain.com/Images/Bain\\_Philanthropy\\_Report\\_2011.pdf](http://www.bain.com/Images/Bain_Philanthropy_Report_2011.pdf).
65. S. S. Srivastava and Rajesh Tandon, "How Large Is India's Non-Profit Sector?," *Economic and Political Weekly* 40, no. 19 (2005).
66. Ibid. This study is based on the output of a large project entitled 'A Study of Non-Profit Institutions in India' undertaken by Participatory Research in Asia (PRIA) in collaboration with the Institute of Policy Studies, Johns Hopkins University, USA.
67. The Societies Registration Act and Public Trusts Act date back to 1860.
68. For example, Bombay Public Trusts Act in the state of Maharashtra regulates all public charitable trusts. The Act also operates in the state of Gujarat. Rajasthan has a Trusts Act of 1959, and Madhya Pradesh has its own (1951) Act. In certain southern states (e.g., Andhra Pradesh) there are Endowment Acts, whereas a number of southern, northern, and northeastern states in India do not have Public Trusts Act at all. The capital of India, New Delhi, does not have a trusts act to specifically cover the trusts formed for the public causes. In such states, NPOs are registered under Societies Act (passed by the concerned states) or Section 25 of the Companies Act (under the Companies Act of 1956) or under the Indian Trust Act, [www.asiapacificphilanthropy.org/node/19](http://www.asiapacificphilanthropy.org/node/19).
69. See Arpan Sheth, "An Overview of Philanthropy in India," (Mumbai: Bain & Company, 2010). *India Philanthropy Report 2011*," Bain and Company, 2011. [www.bain.com/Images/Bain\\_Philanthropy\\_Report\\_2011.pdf](http://www.bain.com/Images/Bain_Philanthropy_Report_2011.pdf). See also the Bain report for 2012: [www.bain.com/Images/REPORT\\_India\\_Philanthropy\\_Report\\_2012.pdf](http://www.bain.com/Images/REPORT_India_Philanthropy_Report_2012.pdf).
70. Sanjiv Shankaran and Ruhi Tewari to [livemint.com](http://livemint.com), Jan 30, 2011, 2011, [www.livemint.com/Politics/SUvgdUdsYgGrVwGNAIHOFp/Emphasis-on-oversight-instead-of-incentives-binds-philanthro.html](http://www.livemint.com/Politics/SUvgdUdsYgGrVwGNAIHOFp/Emphasis-on-oversight-instead-of-incentives-binds-philanthro.html); *ibid.*
71. Priya Viswanath and Noshir Dadrawala, "Philanthropic Investment and Equitable Development: The Case of India," in *Diaspora philanthropy and equitable development in China and India*, ed. Peter F. Geithner, Paula D. Johnson, and Lincoln C. Chen (Cambridge, MA: Harvard University Press, 2004), 278.
72. *Ibid.* In a 2009 study by the Political and Economic Risk Consultancy (PERC), India ranked least efficient in a survey of the 12 leading economies in Asia. See *Beyond Profit*, July 20, 2010, [beyondprofit.com/mind-the-gap-the-current-state-of-Indian-philanthropy/](http://beyondprofit.com/mind-the-gap-the-current-state-of-Indian-philanthropy/).
73. Moore and Rutzen, "Legal Framework for Global Philanthropy: Barriers and Opportunities." The Foreign Contribution (Regulation) Act 1976[71] requires all nonprofit organizations wishing to accept foreign contributions to (a) register with the central government; (b) agree to accept contributions through designated banks; and (c) maintain separate books of accounts with regard to all receipts and disbursements of funds. There are onerous reporting requirements associated with the law.

# BRAZIL

Wealth in Latin American countries has long been highly concentrated and today wealth distribution in the region remains the most unequal of all developed and developing countries.<sup>74</sup> Traditionally, giving in Latin America has been informal and focused on the Catholic Church and the institutions created by the Church to provide social services.<sup>75</sup> In the last two decades, there has been a gradual change in the nature of private giving in Brazil. The influence of the Church remains strong but has weakened somewhat; significant new fortunes have been created by economic deregulation and globalization; and the once all-powerful state has faced increasing difficulties responding to new social and environmental challenges associated with the new economy. As a result, new civil society organizations and foundations not associated with the Church are being created in Brazil to address old and new social and environmental challenges.

There is strong evidence of a significant rise in the number of private foundations in Brazil and other Latin American countries in recent decades.<sup>76</sup> According to one study done in 2000-2001, 64 percent of private grant makers in Brazil were created after 1980 while 48 percent were created in the 1990s.<sup>77</sup> Some of the new foundations are moving beyond traditional charitable activities to fund programs designed to address the root causes of poverty and inequality in their countries.

Most of these new foundations in Brazil are corporate foundations. There are several reasons for the importance of corporate philanthropy or corporate social responsibility in Brazil. The end of military rule in 1985 brought greater democratization and freedom of expression. These political changes were accompanied by economic liberalization and globalization and the attendant increase in economic and social inequalities (see below on changes in Brazilian civil society). The new political and socioeconomic environment led to increased pressures from civil society on Brazilian businesses to pay attention to poverty and inequality and to the broader social impact of their businesses, particularly in sectors such as mining and in communities close to their operations.

Brazilian business leaders were influenced not only by domestic social pressures but also by new ideas at home and abroad about the relationship between business and society. In the late 1980s, Brazilian economic policy shifted from heavy regulation and protectionism to greater competition at home and open trade with the outside world. Brazilian businesses increasingly faced foreign competitors at home and abroad as they became part of the global economy. As a result, business leaders were exposed to new ideas about the social responsibility of corporations to the communities and societies in which they operate and the role of corporate social responsibility as a business strategy to enhance competitiveness and business opportunity.<sup>78</sup> The new concept of corporate social responsibility built on the old Brazilian tradition of paternalism and responsibility of landowners to those who work on the land. Many corporate leaders came to see corporate social responsibility as a way to address problems at home, gain favor with local communities and governments, improve the image of



Brazilian business, enhance corporate branding, and improve the environment for business and their own business opportunities.<sup>79</sup>

As is true generally in the BRIC countries, many Brazilian corporations are family owned or controlled and, therefore, it is often difficult to separate corporate foundations and their wealthy owners. Corporate foundations based on new wealth include Fundação Itau Social, created by Brazilian Banco Itau; the Gerdau Institute, based on a steel fortune; and Fundação Vale, also based on steel wealth. Brazil has a number of private family foundations as well, including Fundação Tide Setubal, based on wealth from the financial sector. Few Brazilian foundations are endowed due to the lack of tax incentives for donations to endowments. Both corporate and private foundations often operate their own programs instead of making grants to civil society organizations and frequently partner with other nonprofits, government, community associations, or other corporations to carry out their programs. Frequently, as in other BRIC countries, these grant programs are targeted at providing education and social services.<sup>80</sup>



The foundation sector in Brazil is well organized and includes several important donor networks. For example, the Grupo de Institutos, Fundações e Empresas (GIFE), established in Sao Paulo in 1995, is a network of families, corporations, NGOs, and private individuals whose mission is to use private resources for the development of the common good. GIFE offers its members information, training, and other services to support sustainable development and social investing in Brazil.<sup>81</sup> The Instituto Ethos de Empresas e Responsabilidade Social or “Ethos” has played an important role in the development of corporate social responsibility. It seeks to influence the culture and behavior of Brazilian business by developing of standards and indicators of corporate social responsibility and by influencing actors such as pension funds and banks, the media, research organizations, and educational institutions.<sup>82</sup>



## THE POLITICAL ENVIRONMENT

Brazil and many other Latin American countries share a legacy of colonial rule, the central role of the Catholic Church, and a history of centralized political power. During the colonial era and following independence in the nineteenth century, civil society in these countries was shaped by a feudal system, in which local elites saw those working for them almost as “property” and felt responsible for providing basic welfare for them. Because the central government was weak, disorganized, and unable to provide support, the poor relied on powerful landlords as well as the Church. Civil society organizations independent of the Church were weak or nonexistent.<sup>83</sup>

The development of a strong, authoritarian central state in the twentieth century further hampered the development of Brazil’s civil society institutions. The civilian dictators and military regimes that ruled from 1930 to 1985 established a strong central state that allowed little dissent and restricted the capacity of citizens to mobilize. Registered, legal nonprofit organizations were limited to organizations providing services such as hospitals and nursing homes.<sup>84</sup>

Persecution by the military dictatorship, however, provoked a reaction: the creation of informal and often illegal civil society organizations with a strong sense of identity and purpose. Some were social assistance organizations that provided services to the poor and needy. Others, including labor unions and human or civil rights organizations, grew out of the suppression and persecution of political movements by the military. Parts of the Catholic Church, inspired by liberation theology and helped by a degree of immunity that the Church enjoyed under the military dictatorship, played a role in defense of human rights and civil liberties. Today, the Church continues to play an important role in both service and advocacy organizations.<sup>85</sup>

The advent of democracy and free market economics in the 1980s and 1990s led to the growth of civil society organizations in Brazil. With the emergence of democracy came greater freedom of expression and the end of state repression of non-governmental organizations. As a result, civil society organizations were able to play a role as both advocates of public policies and providers of

basic services. Economic liberalization also led to the growth of the business sector in Brazil. However, tax and social policies did not mitigate the increasing disparity of wealth in Brazil.<sup>86</sup>

The dominance of the Church and the state has left a legacy of suspicion and distrust of secular non-governmental organizations. The repression of civil society by the state has left a gap in tax and nonprofit laws governing civil society institutions and foundations. As a result, much of the nonprofit sector operates informally, through grassroots organizations and support groups. However, Brazil’s legal regime is evolving to adapt to the new role of civil society.

Until 1999, registered, legal nonprofit organizations in Brazil operated under a law that dated from 1935. That law provided tax exemptions for registered nonprofit organizations but limited eligibility to register to institutions that provided direct services. In response to pressure from and involvement by groups representing civil society organizations, the Brazilian government passed laws in 1999 and 2001 that broadened the definition of nonprofit institutions eligible to register for legal status, gave the new registrants some tax benefits, and allowed donations by foundations to be tax deductible. Under the law, nonprofit organizations may be either “associations” that have a specific purpose or “foundations” constituted specifically for religious, moral, or cultural purposes or for assistance. Assets must be given in perpetuity. If a foundation is dissolved, assets must be transferred to another foundation. Other charitable forms such as community foundations, businesses, and corporations that wish to engage in giving but do not wish to endow a foundation are not covered by the law.<sup>87</sup> In order to keep pace with the rapidly evolving philanthropic sector, the definition of nonprofit organizations and the tax structure will need to be further developed.<sup>88</sup>

74. See John H. Coatsworth, “Leveraging Time and Money: Philanthropy and the Social Deficit in Latin America,” in Sanborn and Portocarrero, op. cit., pp. v-ix.

75. Lilya Wagner, “Latin America’s Philanthropic Traditions,” *Nonprofit Management and Leadership* 17, no. 2 (Winter 2006), pp. 239-242.

76. For definitions, see Shari Turitz and David Winder, “Private Resources for Public Ends: Grantmakers in Brazil, Ecuador and Mexico,” in Sanborn and Portocarrero, op. cit., pp. 256-257. The data used by Turitz and Winder comes from studies by Synergos from 1999-2001 in cooperation with three philanthropic service organizations in Brazil, Mexico, and Ecuador. It is difficult to find accurate and comparative data on foundations and grantmaking in Brazil, Latin America and, indeed, in all the BRIC countries. See Cynthia A. Sanborn, “Philanthropy in Latin America: Historical Traditions and Current Trends,” in Sanborn and Portocarrero, op. cit., p. 9.

77. Turitz and Winder, op. cit., p. 265.

78. On corporate social responsibility as a business strategy, see: Michael E. Porter and Mark R. Kramer, “The Link between Competitive Advantage and Corporate Social Responsibility,” *Harvard Business Review*, December 2006, pp. 78-92.

79. The new role of CSR can be found throughout Latin America. See Felipe Agüero, “The Promotion of Corporate Social Responsibility in Latin America,” in Sanborn and Portocarrero, op. cit., pp. 103-134.

80. Turitz and Winder, op. cit., pp. 272-273.

81. [site.gife.org.br/ogife\\_porque\\_associa.asp](http://site.gife.org.br/ogife_porque_associa.asp)

82. Agüero, op. cit., pp. 110-114.

83. Leilah Landim and Andres Thompson, “Non-governmental organisations and philanthropy in Latin America: an overview,” *Voluntas* 8, no. 4 (1997): 339-340

84. Leilah Landim and Andres Thompson, “Non-Governmental Organisations and Philanthropy in Latin America: An Overview,” *International Journal of Voluntary and Nonprofit Organizations: Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 8, no. 4 (1997), p. 43.

85. One example is the Comunidades Eclesiais de Base Ecclesiastic Base Communities (CEBs), which champions social causes. See: Leilah Landim, and Andres Thompson. "Non-Governmental Organisations and Philanthropy in Latin America: An Overview," *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 8, no. 4 (1997), 346.
86. See: "Global Social Investing: A Preliminary Overview," ed. Inc. The Philanthropic Initiative (Boston: The Philanthropic Initiative, Inc., 2001), 7.
87. Roberto Paulo Cezar de Andrade, "Philanthropy in Brazil," *ReVista: Harvard Review of Latin America*, Spring 2002. Mário Aquino Alves, Natália Massaco Koga, "Brazilian Nonprofit Organizations and the New Legal Framework: an Institutional Perspective," *Brazilian Administrative Review*, v. 3, n. 2, art. 5, July/Dec. 2006, p. 68–83. [www.scielo.br/pdf/bar/v3n2/v3n2a06.pdf](http://www.scielo.br/pdf/bar/v3n2/v3n2a06.pdf). Candace A. Lessa and Fernando Rossetti, "The Future of Philanthropy in Brazil: Creating a More Diverse Sector," [www.drclas.harvard.edu/publications/revistaonline/spring2002-brazil](http://www.drclas.harvard.edu/publications/revistaonline/spring2002-brazil). The Brazilian state grants several federal tax exemptions (revenues, social contributions, social security, etc.) to registered nonprofit organizations. Individuals and companies may deduct charitable contributions from their income tax up to a limit of 6 percent. The maximum deductible value is annually fixed by the government, based on applicable corporate and individual tax rates. These tax incentives for donations, however, apply only to projects that have received the approval of the relevant ministry.
88. As one analyst put it: "new types of nonprofit organizational structure that can better support the characteristics of the organizations for which they are intended — grantmakers, community foundations, social justice funds and even operating, business-origin organizations — need to be developed." Furthermore, tax deductions are quite limited. However, under legislation passed in 1991, corporations and private individuals may receive tax deductions for contributions to cultural projects and institutions (e.g., museums, orchestras, and historical monuments preservation). See Andrade, op cit.



# Common Themes

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**W**hile philanthropic cultures and practices differ in each country and across regions, several common themes emerge from the new philanthropy in Russia, China, India, and Brazil.

The amount of giving and the formation of organized charitable entities have increased significantly across the emerging market countries. Furthermore, there is a growing structure to philanthropy as a sector. Philanthropists are forming networks to share ideas and methods. Donor organizations are creating standards, providing information and training, and contributing to increased professionalization of grantmaking and foundations. Academic centers and research institutions are beginning to conduct research and training about the philanthropic sector. However, the institutionalization and professionalization of the sector remain at an early stage.

Grantmaking remains directed primarily at traditional charitable causes including disaster relief, helping the poor, and providing health and other services, as well as at sports, culture, and artistic causes. Giving is most often focused on local communities, although some major donors make national and even international grants. Many foundations in the BRIC countries support education and training at various levels, thus promoting development and the reduction of income disparity as well as providing a bridge from charity to philanthropy. However, Indian and Brazilian foundations, which operate in democracies, are more likely to support social change than their Russian and Chinese counterparts, where government constrains the role of foundations and civil society. In Russia and China, funding for advocacy such as human rights or environmental preservation is left largely in the hands of foreign donors.

Finally, it is difficult to separate personal, family, and corporate philanthropy. In BRIC countries, charitable giving is most often handled by the entrepreneur or family-controlled corporation. In Russia, there frequently has been no choice: the new owners inherited the societal role of former state-owned companies that had provided public goods and social welfare for local communities and regions where the businesses are located. Thus, communities where companies are located need and expect the corporation to provide social services. In China, the implementation of the legal system and the onerous tax system discourage the formation of philanthropic organizations. Therefore, the newly wealthy use their family-controlled companies to carry out their giving. In India, foundations are based on corporate wealth and are run by family members. In Brazil, corporate foundations and corporate social responsibility have become the driving force in the growth of philanthropy. As Brazilian corporations compete with foreign investors at home and abroad, they are adopting corporate social responsibility as a business strategy.

## THE POLITICAL ENVIRONMENT FOR PHILANTHROPY IN EMERGING MARKET COUNTRIES

In the United States and other developed countries, civil society organizations are the primary recipients of philanthropic funding. In the political culture of the United States and other developed countries, civil society organizations are seen as a critical and integral part of the political system, a “third sector” with a societal role and political voice along with government and business. Although the role of civil society varies from country to country, civil society organizations in the developed world are seen as a legitimate way for citizens to have a voice in government and the economy. As a result, one of the goals of many Western foundations is to strengthen these organizations at home and abroad and thereby improve their institutional capacity and the public voice of many points of view, including those of disenfranchised groups in society.

The countries under review in this study vary greatly in their political culture, civil society, political system, and resulting legal and regulatory regimes. However, their third sectors share a common characteristic: despite the rapid growth of civil society organizations in emerging market countries, these entities lack legitimacy, resources, management expertise, transparency, and clear legal status.

For various historical reasons, civil society organizations in most emerging countries have often been treated as illegitimate and/or irrelevant, and have been marginalized from the political process. Although there is a long tradition of charitable giving at the grassroots, person-to-person level in virtually all emerging markets, the dominant view of publics and elites remains that the state is responsible for social welfare. Historically, the former and current Communist regimes did not have laws to authorize and regulations to oversee nonprofit organizations and foundations. Such organizations were considered illegitimate and unnecessary in a communist system where the state had responsibility for economic prosperity, social well-being, and political power. Communist governments in China and Russia as well as autocratic governments in Brazil suppressed civil society organizations and oppressed their members. As a democracy, India has long had a vital civil society, but the legal status of the nonprofit sector in India has been hindered by archaic laws and inefficient bureaucracies.

Today, although civil society is growing in all the BRIC countries, it remains constrained by government and public attitudes that continue to reflect long held philosophies or ideologies that disfavor nonprofit organizations and foundations. Government, philanthropists, and even the public at large often do not trust civil society organizations, for a variety of reasons. In some cases, governments and the public question their motives and see advocacy organizations in particular as political threats. Cases of massive corruption using nonprofit organizations in Russia in 1990s and general, widespread corruption in China, India, and Brazil contribute to distrust of organizations that lack transparency and operate under uncertain legal status. Because of the focus of foreign foundations and governments on funding civil society organizations devoted to advocacy for human rights, the environment, and other social justice issues, there is even greater suspicion of them and their benefactors.

This weakness of civil society organizations makes philanthropists in the BRIC countries hesitant to use them as vehicles for grantmaking. Donors often prefer to create their own organizations to carry out their charitable purposes instead of making grants to independent civil society organizations. In contrast, both public and private international giving supports a variety of civil society organizations in an effort to strengthen the public's voice in human rights, environmental issues, and economic development.

Furthermore, governments in emerging markets have mixed attitudes towards private philanthropy. Governments are interested in private financial support for social needs of citizens yet wary of yielding power to private foundations and

civil society organizations. Political leaders in Russia and China often see civil society groups and foundations as illegitimate and potential political threats. At the same time, despite economic growth, many governments lack the financial resources and institutional capacity to respond effectively to growing social awareness, needs, and demands.<sup>89</sup> The legacy of inefficient bureaucracies and state-owned enterprises makes governments more willing to accept private financial support for social needs of citizens, while remaining wary of yielding power to private foundations and civil society. Increasingly, governments in Russia and China have an interest in legitimizing civil society organizations, but only if they can control them carefully.

The legal and regulatory regimes of emerging market countries reflect these ambivalent governmental and public attitudes toward civil society and philanthropy, creating both opportunities for and barriers to civil society and charitable organizations. These regimes include: rules governing the legal right to form and operate a nonprofit organization, the nature of the regulatory system to authorize and oversee foundations and other non-profits, and tax legislation and policy affecting charitable organizations. In all emerging countries, nonprofit and tax law are evolving, largely but not always rapidly or in favorable directions.

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89. For example, ironically, emerging economies like China and India no longer qualify for some multilateral and bilateral foreign aid while uneven development leaves ongoing problems unresolved and creates new needs.

# Challenges Ahead

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**L**ooking ahead, there are a number of challenges facing the foundations in emerging markets. One is to improve the political environment. That will involve working toward more enabling legal, regulatory, and tax regimes and, if possible, less cumbersome and conservative bureaucratic institutions that implement laws, regulations, and policies governing foundations and civil society organizations. This is a difficult and long-term effort. Donor organizations and networks have already helped to shape legislation and regulation covering the sector. Over time, foundations in the BRIC countries must work to create a trusting yet independent relationship with political and bureaucratic leadership at various levels.

Greater openness and transparency about the activities of foundations, the entities and causes they support, and the impact they are having is one way to promote such trust. Web sites and reports can be used to provide greater transparency to the public and authorities. Codes of conduct for the sector can encourage confidence and trust and promote legitimacy. The existing national and regional networks of foundations can play an important role in this effort, as can independent studies by academic and other research institutions. There are signs, for example in China and India, that governments are becoming more positive and less wary of private philanthropy.

As part of creating a more enabling environment, foundations also need to work on their own capacity building: creating modern institutions that are professional, strategic, transparent, and well governed. There is also a need for more professional expertise and management. Some donors are learning new techniques by sharing information through national and international networks. Some are outsourcing management and learning from organizations like the Charities Aid Fund and the Rockefeller Philanthropy Advisors. Foundations also need to help civil society organizations to do the same. Foundations depend on a vibrant civil society that can effectively absorb

grants and implement objectives of grantmaking. As we have noted, today there is a lack of confidence on the part of donors in the governance, transparency, and professionalism of such civil society organizations. That lack of confidence inhibits giving to these organizations and leads foundations to create their own NGOs. Capacity building of foundations and civil society has been and should continue to be an important focus of foreign philanthropy. Foreign foundations, however, should recognize that domestic support will be critical for the legitimacy and effectiveness of local civil society organizations.

All of these efforts will be influenced by the evolving political system in emerging countries. In Russia and China, more authoritarian governments are struggling to find a way to enable some private giving while constraining and controlling foundations and civil society organizations. In India and Brazil, which have flourishing democracies and civil societies, governments are seeking to facilitate giving while controlling corruption and addressing inequities. Charity and philanthropy in Russia, China, India, and Brazil will grow, but in different ways, reflecting their varying religious, cultural, and historical roots and the nature of their prevailing political cultures and political systems.





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