

The 2014 Global Infrastructure for Giving Report

Host: Ted Hart

Guest: Andrew Watt - Association of Fundraising Professionals

Announcer: Welcome to the *CAF America Radio Network*, a production of the Charities Aid Foundation of America. As a leader in global giving, CAF America offers more than 20 years of experience and expertise to corporations, foundations, and individuals who wish to give internationally and with enhance to due diligence in the United States. Through its industry-leading grants management programs and philanthropic advisory services, CAF America helps donors amplify their impact.

This show is dedicated to these donors and the charities they support. CAF America is uniquely positioned to serve as the bridge between this important partners and transforms vision into meaningful action. Guests on the *CAF America Radio Network* are leaders in their field who share tips for success and stories that inspire. Our host is Ted Hart, the CEO of the Charities Aid Foundation of America. This is a live call-in show. Add your voice by calling 914-338-0855. After the show, you can find all of our podcasts at cafamerica.org. Don't forget to dial 914-338-0855. Now, welcome the host of the *CAF America Radio Network*, Ted Hart.

Ted Hart: Hey, welcome here to this latest edition of the *CAF America Radio Network*. This is a very special day for us because today we have Andrew Watt who is the president and CEO of the Association of Fundraising Professionals, also known as AFP. Andrew serves in that capacity and represents individuals and organizations that raise over \$100 billion each year in charitable contributions.

He was named president in 2011 and works in the non-profit community and oversees the association's professional staff in three offices in Arlington, Virginia, Toronto, Ontario and in Mexico City. Welcome here to the *CAF America Radio Network*, Andrew Watt. Andrew, it would help if I turned on your microphone. That is my fault. Andrew, welcome.

Andrew: It's great to be with you, Ted. Great to be with all your listeners, thank you.

Ted: We very much appreciate the leadership that, Ted, you offer in the non-profit sector. Today, you and I are here to talk about a very important report that was issued by the Charities Aid Foundation and is the rules to give by report a global philanthropy, legal environment index. This is the first study of its kind, looking at government support in all 193 United Nation member states as it relates to the legal environments surrounding philanthropy.

Before we get into the details of the reporting and the support, the AFP and you personally have for this initiative, let's make sure that our listeners know a little bit about AFP, what it is and the platform that you represent.

Andrew: Sure. AFP has been with us for over 50 years, Ted, as you know as a long-standing member. It represents individuals and organizations who raise money from the public in North America and around the world. We fit on a platform that comprises of four main pieces. We

support the greater network for fundraisers, right here and elsewhere. We help with the tools that they need to do their job well: education, research.

We shout out loud for public policy piece and we provide an ethical framework in which to do that. We're not a huge organization. We work in partnership with a number of significant others around the globe, institutions of higher education, government agencies and organizations like yourself, CAF America. The organizations that set up to help to create that enabling environment that we all need.

Ted: You have how many members?

Andrew: We have 36,000 members globally. The majority of those are concentrated in North America but perhaps 7% from around the world. Many of those come to us through partnerships that we have with other fundraising associations in Europe and Asia, Africa and Australasia.

Ted: Like CAF America as a member of the CAF global alliance of offices representing offices and efforts supporting philanthropy on six continents, AFP brings a global platform and this notion of now having an index for the first time to give us a look at this notion of government support for philanthropy. What do you think this means?

Andrew: For a start, I was incredibly excited when I first heard of this initiative. There's nothing quite like it. It's the kind of information that somebody like me from a public policy background knows is very sorely needed. The thing that I think astounded me coming out of it was really the very, very clear indication that tax policy has a direct impact on people's ability to give.

I think something that I would pull away from that though, if it doesn't necessarily motivate people but what we're talking about is a really simple concept is about leverage and we don't help people explore that concept enough. I don't think that governments in particular necessarily understand what it means, and that's here in the United States as well as elsewhere. Hats off to CAF because I think this is really a profoundly influential moment.

Ted: Well, thank you for your endorsement. As you know, the study compares tax incentives in other aspects of charity law to people's likelihood to give in ways that are measured by another annual report issued by the Charities Aid Foundation and that's the very important little giving index. When we bring those together, as you said, it doesn't necessarily ensure that it motivates people to give but perhaps as many of us suspected, the amount that you give and how you give can very well be inspired and influenced by tax policy.

I wonder if you could give us your assessment of, in the rules to give by index the world's first international index of government support for charitable giving. It was found that the percentage of people donating to charity is 12% higher in nations that offer tax incentives to individuals than in those countries that do not.

Andrew: I think that's a pretty fundamental truth at the bottom of that Ted, and perhaps this. The country that has a government that's motivated to motivate charitable giving is going to

have a culture and an environment that's much more conducive to philanthropy. No government is going to invest time in developing tax policy in support of giving up philanthropy, unless they think that something is of interest to their citizens.

If you take a country like the United States, the tradition is being seen as a sort of global leader in terms of use of tax policy to engage. What's actually driving that? Well, I think it's a compact between the government and the individual citizen that recognizes that the action that we take philanthropically, the action that we take within our communities and with our communities is a critical way of helping to develop an engaging and inclusive culture for giving.

I also think that it's no coincidence that you find in the emerging economies in a place like India, Brazil, where things have really been going very well for quite some considerable length of time and I'm generalizing seriously here, that you begin to see a much greater engagement with and expression through philanthropy. Tax policy is one part of that. Governments generally play catch up, they don't generally initiate through something like this. What they're doing is they're catching up with the desires of their citizens and their citizens' desire to effect change through philanthropy. It's exciting to see that affirmed, but I don't think it's a particular surprise.

Ted: You mentioned the role of philanthropy in changing the plights perhaps of citizens around the world. You represent a broad platform of professionals who are directly engaged in that effort on a daily basis. What do you think a report like this means to those who you represent and those beyond who are toiling every day to find the resources necessary to change lives, to improve lives around the world?

Andrew: I think it's a bit of a clarion call Ted, because, as you say toiling probably sums up the way that a lot of development professionals around the world feel about what they're doing. They came to this arena, we all came to this arena because we wanted to do something that was going to make a difference. I don't think that's tried but I think it's true and we operate most of us under considerable pressure.

For the last few years budgets have been very constraint diminishing in many cases, governments have engaged less through grant-making and policy-making. Therefore, many development professionals not only feel themselves to be embattled but they also feel under enormous pressure to help their organizations continue to achieve necessary impact. A report like this, I think, highlights the fact that it is worth their time. It's quantifiably worth their time to engage with the bigger picture. To engage with the public policy arena.

To help to bring pressure on elected officials and lawmakers in order to get them to help to create the platform that helps us achieve what we're there to do. Oftentimes, it's a very difficult sell to say to somebody who's so stressed, "Listen, you've got to make the time regardless if anything else is critical. You should make the time to engage with tax policy, to encourage people, to develop favorable tax policies."

What this report is going to help us to do is say, "Look, it's obvious, look at the results of this research. Look at what your saying in terms of a global trend and recognize that you have that

12% number. 12% points higher in nations offering tax incentives. Higher in nations that are offering constructive tax incentives to individuals to give. That has to be worth your while to engage with."

Ted: In the report it points out that 77% of nations offer some form of incentive to corporate donors, while 66% of nations offer some form of incentives for giving by individuals. Do you find that difference significant, and if so, why?

Andrew: I think that we're starting to get in to the depths of culture. I think it's very difficult to generalize. I do think that we would find that there was significance there. I don't feel hugely qualified to comment. What I would say though, as an example of what I mean is that, if you grew up as I did in Europe, you would be used to the concepts that there are rather a lot higher levels of corporate giving an investment in non-profits, and perhaps we find it here in the United States and Canada. Why would that be? I think there's a very clear expectation in North America that individuals have a responsibility to invest in philanthropy.

If you are a hugely successful person from the way you fair, from the corporate sector. There is an expectation here that, from your employer, that you will engage as an individual philanthropically. It seem to be an individual responsibility and not a corporate responsibility. The corporate responsibility is to the shareholders and the bottom line. Now, that's very different, I think. It reflects the fact that there is a very significantly different culture. When you look at the level of giving personal income in North America, it's consistently, and has been for years, higher than you would find in Europe, Asia, or Africa.

These things play out in different ways. I think it's quite dangerous to speculate about what might be behind that difference. What I do find significant is that, 66% of countries are actually offering incentives to individuals. I think that is something to be celebrated. I would have expected that result, that outcome to be far, far lower. When I saw that, I actually had to go into the report to convince myself that it was correct. I happen to expect it to--

Ted: You were pleased to see these numbers and the direction that this is going in, because I wonder if you would feel that most readers might approach this topic or might assume that this report might find that philanthropy or philanthropic activity that's measured in this report and in the world giving index, that these are first world initiatives and not quite as global as this report appears to point out?

Andrew: I think what's interesting is that the report quite clearly can recognize, if you like, structured philanthropy and structured philanthropic incentives. My feeling is that, if you see that 66% of countries are offering structured incentives. The number of countries where philanthropy is formal or informal as an ingrained part, is going to be considerably higher. If you look at your own personal experience. Talking with people. Talking to them about philanthropy, and Ted you do that all the time. I think you will find that many people simply don't recognize that a lot of what they do, either as volunteers or as givers is philanthropic.

They just see it as something to be done. The amount of time particularly that you invest in community based organizations as a volunteer, and that will be schools, churches, anything else. Most people just regard that as something they do. They don't actually think of it as philanthropic. I think that's the add on to what you've actually been able to quantify within the report. I see that as encouraging. I also see it as encouraging, that there's room for aspiration.

This isn't something you can settle back and say, "Well, folks we're doing nicely here. We doing very well. We don't need to worry about the future." We do need to worry about the future. We all know that more and more giving is accounted for by the higher end of donor, in a country like this where giving has traditionally been a community-driven activity. If you're seeing more and more giving coming from the top and less from the bottom.

We have real issues there. The pipeline is a critical thing, and in 20 to 30 years time, if that trend continues, we will be worrying about where the next generation of major donors is coming from. I think there's a lot to be pleased with here, but I don't think there's anything to be complacent about.

Ted: I agree with you. We're going to take a really quick break, when we come back, I want to shift the discussion slightly to that of accountability and the use of funds. I found it interesting in the report that higher income countries are more likely to require reporting from non-profit organizations, and the direction that you feel that part of the report should go. We will be right back.

Announcement: Remember, our podcast and archives are always available 24 hours a day at cafamerica.org. If you're listening today, our phone lines are open. Call in and ask a question by dialing 914-338-0855. Now, back to the *CAF America Radio Network*, and our host Ted Hart.

Ted: Welcome back. We are live here with Andrew Watt, the President and CEO of the Association of Fundraising Professionals. He and I, today are reviewing and we're getting the insights from Andrew Watt on this tremendous new study regarding the infrastructure for philanthropy. The tax structure around the world. I wanted to, before we went on that quick break. I just wanted to ask you, when we came back, Andrew, to reflect on the accountability side of philanthropy.

Andrew: Which is critical, and you'd expect anybody in the position that I sit in to say that as well. I think the biggest asset that any non-profit has is the public trust. It's an extraordinary fragile asset. It takes nothing to damage it when that trust is damaged. It takes a very long time to build back, so accountability is key. I think one of the real issues that you find in countries, lower income countries, is that there is a very ill defined time structure through which accountability takes place. You go to countries where there will be 10 or 15 separate agencies, all of whom have a role in regulating non-profits.

There's very little centralized understanding of what the role of a non-profit is; and how a non-profit should be accountable for its investments, it's actions, it's impact, and the results. I think a key piece of the work of organizations like CAF internationally, or the International Center for

non-profit law, or indeed AFP, has to be advocating for a basic platform of understanding of what the accountability structures should look like. Just as you're trying to get a global definition or a global understanding of the impact of tax incentives on giving, there needs to be a global agreement about what the basis of accountability and regulation of non-profit should be.

Ted: I would agree with you that, and I wanted to focus a little bit more on something you just said, and that is the notion of public trust, because, you said early in this program, I think very rightly, in that, there is this consensus between citizens and governments that tax incentives, which of course, removes money from what the government might normally have is a good thing, and that there is certainly a majority of countries around the world, 66% related to tax incentives for individuals.

77% related to some form of incentive for corporate donors that is nearing a consensus on the tax incentive side, but unfortunately, there doesn't seem to be as much focus on the reporting or the oversight of non-profits in the use of funds. That, as you pointed out, comes down to this notion of public trust, and it can be damaged, as you said, so easily.

What do you think is the partnership between receiving these tax incentives and perhaps if there isn't yet a global consensus on reporting, perhaps a global push for voluntary reporting in the public interest.

Andrew: Well, I think this is one that has the Nexus. If you think of public policy work for non-profits across the globe, I think that there has to be an understanding that where individuals and government make an investment in the work of non-profits, non-profits have an obligation to report on the impact of those investments. We've become very fond of that word "impact" over the last few years. We want to move from of a position where we've traditionally looked at non-profits as how efficient are they to talk about how effective they are and then to talk very broadly about impact.

Yet, we have none of us defined how you actually arrive measuring impact for non-profits and certainly not, if you like, regulatory terms. I don't think something like that can ever be achieved through regulation but I think that consensus about what it means is something we could do. I think that's conversation that government can facilitate. I think what a lot of us forget and particularly here in North America where the view of government's appropriate role is quite different from other parts of the world, is that government can be an enabler.

It's not that you want government to directly intervene. It's not that you necessarily want government to become heavy-handed in terms of regulation, but comprehensive effective light-touch regulation provides an enabling environment in which non-profits can thrive. I think that's something we need to embrace and not be afraid of because without that there is no--
Sorry, yes.

Ted: Well, I was just going to say I find that so interesting because I think you're right and perhaps we're so sensitized to that word here in the United States that regulation immediately

sounds like or feels like it's constrictive, but in having appropriate levels of regulations, in setting a standard or a platform upon which there is that public trust can expand the franchise rather than restrict it.

Andrew: I think so. Nations around the world that have dedicated charity regulators, not simply a revenue agency as we have here or they have in Canada or many other parts of the globe. You actually have a regulator that understands and is, if you like, funded to act as a supporter of non-profit action as well as simply 'have you filed your taxes on time?' Do you fulfill the criteria for non-profit registration?

I think that to build that relationship of trust with the government agency is a very difficult thing to do but over time it can be a very, very valuable thing. Principally, because there is then one, if you like, portal to which members of the public or non-profits alike can go to for advice or can go to for information, can go to for signposting, if you like, to the places where they can find out information about non-profits. I don't know if you remember. You must have seen the CNN and Tampa Bay Gazette 50 worst Charities in the United States last year.

Ted: Yes.

Andrew: Well, from my perspective that was a great opportunity because they gave us all a chance to talk about what a well-run charity looks like and also where members of the public can go to find out information that will allow them to make up their own minds about whether a charity is an appropriate one to support. Now, the thing that struck me very forcibly at that time was that we were giving lists of organizations. We weren't saying, "Go to one point." We were saying, "You can go to organizations like this one, like this one, like this one."

Indeed like AFP or CAF to find out more, make up your own mind; but what we're saying is that this is really quite an onerous task for the individual. We're not making it easy for them. Yet, this is a time when non-profits accomplish more in our societies than perhaps they've ever done before. I think it's very important that we get to grips with this. It's not going to be easy and it's going to be very challenging at times, but if we duck this issue the next generation are going to have to pick it up instead.

Ted: You mention the next generation and it seems that in this report there's almost a line that's drawn between current giving and legacy giving that, while the majority of countries offer incentives for people making donations during their lifetime, only 46% of countries had imposed taxes on estates of the deceased offer incentives for people who wish to leave money to charitable causes in their will. That's now a minority of countries that tax estates, that offer that incentive. Why do you think that might be and where do you think that, that fits within this global perspective?

Andrew: I suspect that it becomes increasingly attractive to leave money to charities in your will where the threshold against which is estate duties as levied is low. If you're in a country like the United Kingdom where the thresholds have traditionally been quite low, there's always this huge attraction to making sure that your money goes to something that you consider to be

worthwhile and possibly not to funding a government debt. In different states in the United States where individual thresholds can be much, much higher and maybe there's not so much incentive to give in that way.

Equally, you find that there are tax structures in place that incentivize people to engage in planned giving during their lifetime but those are very sophisticated environments. If you talk about planned giving as we understand it here in the US and many parts of the world, people will simply give you a blank look because there is no such thing as a charitable lead or remainder trust. There are no such things as pooled investment funds for non-profits. We operate in a very sophisticated highly numerate tax environments here. I think there are many different factors that feed into this.

Ted: Andrew, you've provided us such great insight into this important report. We have about three minutes left today. I wondered if you might close out by giving some insight to your members and to professionals and perhaps citizens around the world in how they might then use this report.

Andrew: First off, I would say, take it to bed with you. This not the kind of thing that you're going to be able to absorb just sitting on a plane for half an hour or at your desk when other things are distracting you. This is a very, very serious and seminal study. I think that the key lessons are that tax incentives work but that in order for tax incentives to be put in place it requires a lot of hard effort on the part of the individual and the organizations that they work for. Not just to lobby for them but to actually work out what works, why and where.

It's about engaging proactively and not simply waiting for something to happen that drives you in that direction. It's about recognizing that the public policy piece, an investment in the public policy piece of the work that any organization does, can be every bit as valuable in quantifiable terms as investment in direct revenue generation. I think that the thing that I'm most grateful for is that this study has put that very firmly. Highlighted the value of that very firmly in the public arena.

Ted: Andrew, you bring a lot of weight to your analysis today. We can't thank you enough for joining us today here on the CAF America Radio Network. Today, we're discussing the global infrastructure for giving a report. Andrew, we very much appreciate the support and distribution of this report to the members of the Association of Fundraising Professionals. Thank you, again, Andrew Watt for joining us here on the *CAF America Radio Network*.

Andrew: Thank You, Ted.

Announcer: You've been listening to the *CAF America Radio Network*. Tell all your friends and colleagues to check out our production schedule. Sign up for our free newsletter and download our iPad and iPod friendly podcast at cafamerica.org. Thanks for listening to the *CAF America Radio Network*.