



# (Re)Vitalizing Philanthropy: The Emergence of Indigenous Philanthropy and its Implications for Civil Society throughout the Developing World

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## **ABSTRACT**

As developing countries have become more integrated within the global economy, new, developing world-based economic elites have emerged as important philanthropists and development actors. The burgeoning trend of indigenous philanthropy holds particularly important implications for traditionally resource scarce civil society throughout the developing world. Unlike their Western – and particularly US based – counterparts, these foundations emerged from the context in which they focus their projects. This paper explores whether and how the rise of an indigenous philanthropic sector holds promise for the expansion and consolidation of civil society in the developing world in light of the various limited capacities in which this sector operates.

**Keywords:** indigenous philanthropy, development, civil society

## **RÉSUMÉ**

Avec l'intégration plus poussée des pays en développement dans l'économie globale, une nouvelle élite économique a émergé en tant que philanthropes significatifs et acteurs du développement. La tendance bourgeonnante de la philanthropie autochtone possède des implications particulièrement importantes pour les ressources de la société civile des pays en développement traditionnellement rares. Comme leur consœurs des pays du Nord, et plus spécifiquement celles basées aux USA, ces fondations émergent d'un contexte dans lequel elles mettent en lumière leurs projets. Cet article explore si et comment la montée du secteur de la philanthropie autochtone assure une promesse pour l'expansion et la consolidation de la société civile dans les pays en développement, à la lumière des diverses capacités limitées auxquelles est confronté ce secteur.

**Mots clés:** Philanthropie autochtone, développement, société civile

## **RESUMEN**

En la medida en que los países en desarrollo se han integrado en el marco de la economía global, han venido emergiendo nuevas elites económicas, originarias del mundo en desarrollo, que actúan como filántropos y agentes de desarrollo y que tienen un importante impacto en la economía global. La creciente tendencia hacia la filantropía de los autóctonos tiene importantes implicaciones para los escasos recursos con los que tradicionalmente cuenta la sociedad civil en el mundo en desarrollo. A diferencia de sus homólogos occidentales –particularmente los norteamericanos–, estas fundaciones emergen del propio contexto en el que realizan sus proyectos. Este artículo investiga en qué medida y cómo la aparición de un sector filantrópico autóctono o indígena, puede representar una promesa para la expansión y consolidación de la sociedad civil en el mundo en desarrollo, teniendo en cuenta las variadas y limitadas capacidades en el marco de las cuales opera este sector.

**Palabras clave:** filantropía indígena o autóctona, desarrollo, sociedad civil.

**JEL Classification:** N30, O15

## **INTRODUCTION**

The importance of private capital flows for international development has long been recognized. Though the sources of these flows are numerous and diverse, one widely discussed actor involved in their distribution is the private philanthropic foundation, particularly Western based foundations, which began to take an international focus in the early-20<sup>th</sup> century. Amongst Western countries, the U.S. has been the base of the most prolific and significant philanthropic foundations with an international development focus, and the sheer number of organizations in the country vastly exceeds that of other industrialized countries; as of 2008 there were approximately 120,000 charities registered with the Internal Revenue Service in the U.S., compared with only 30,000 such organizations in Britain and 15,000 in Germany (Preston 2008). This paper recognizes the distinctly dominant position which the U.S., and U.S. based foundations, hold in discussions of private philanthropy.

Since the 1980s, much discussion of private philanthropy has centered specifically on its key implications for civil society; with their unique assets and capabilities, foundations are an important source of funding for a wide range of non-profit organizations. Even if their agendas are not directly politically oriented, non-profit organizations have been recognized as perhaps the fundamental component of a vibrant civil society; in addition to providing a wide range of tangible services, such organizations inherently function as advocates and intermediaries between the market, the state, and the citizenry.

Despite its increasing importance and widening scope since the early 20<sup>th</sup> century however, there are some notable misconceptions about the interplay between private philanthropy, non-profit funding, and civil society. Evidence from the *industrialized world* – where civil society is generally considered to be rich and consolidated – indicates that the development of civil society has not occurred as resistance to domestic governments, as is occasionally conceived, but rather in careful cooperation with them. In industrialized countries, most non-profit organizations receive substantial funding from domestic governments, and the pre-eminence of private philanthropy's funding role in the non-profit sector is typically exaggerated. In fact, in these countries, public sector support and commercial funding approaches (i.e. revenues received from organizations' membership fees and dues) greatly overshadow the role of private philanthropy as a funder of civil society. On average, private philanthropy accounts for only 12% of total non-profit revenue in the industrialized world; approximately one-third as much as government financial support for civil society organizations and less than one-fourth as much as those organizations collect from membership fees and charges (Salamon et al., 2003, 28).

Regarding U.S. based private philanthropy's impact upon civil society in the developing world, perhaps even more problematic misconceptions stem from the tendency to conflate total-grant giving (or total endowments) with international grant giving. Comparing these two distinct areas of giving, one sees that the majority of most U.S. foundations' funds (about 90% on average) are channeled for domestic purposes and have no link to development assistance (Sulla, 2007, 3). Moreover, only about 30% of international giving by U.S. foundations goes directly to in-country implementing organizations, while the rest of the funds are channeled through U.S.-based non-profit organizations or multilateral international organizations (e.g. the WHO). Thus, despite the substantial attention they have recently received as development actors, only 10% of U.S. foundations' grant-giving goes to international development, and only a small portion of this funding is actually delivered directly to developing countries. It has been estimated that U.S. foundations' international giving to developing countries directly is at most about \$600-800 million per year (Sulla, 2007, 4). In many cases, and for reasons intentional or stemming from poor project planning, when disaggregated this level of funding may only be enough to initiate a non-profit organization's work in their developing country, and it frequently does not allow for sustainable and extended activity. Simply put, when assessed realistically, one begins to understand that at current levels, funding from private U.S. philanthropy only offers limited assistance to non-profit organizations in the developing world. A resource-starved non-profit sector presents a substantial hindrance to the establishment of a vibrant civil society.

Yet the rise of philanthropic foundations based in the developing world promises new potential to overcome this funding gap for civil society and development projects. As developing countries have become more integrated within the global

economy, new, developing world-based economic elites have emerged as important philanthropists in their own right. The burgeoning trend (hereafter referred to as indigenous philanthropy) is expanding the diversity of actors involved in the delivery of public services, funding activities from public health projects to social justice campaigns.

Accordingly, as with their U.S. counterparts, indigenous foundations are beginning to receive attention as key actors in the promotion of civil society in developing countries. Unlike their U.S. counterparts' development work however, these foundations emerged from the context in which they operate, one where civil society is often nascent at best. This distinct political and socio-economic environment has raised many questions about the potential implications and mechanisms of the burgeoning trend. This paper attempts to respond to these questions by analyzing some of the findings from the relatively underdeveloped study of indigenous philanthropic foundations. The paper begins by underscoring the key differences in the philanthropy-civil society dynamic as it typically plays out in the developing world. Next, it outlines the distinct drivers and unique models of giving which are facilitating the rise of indigenous philanthropic foundations. The paper ends with key conclusions, as well as an overview of some of the challenges facing the progression of indigenous philanthropic foundations and the outlook for their future.

Given the tremendous amount of diversity (politically, economically, culturally, and otherwise) between the numerous countries of the developing world, there is obviously a large degree of variation amongst the emerging actors in indigenous philanthropy; this brief paper does not attempt to present an authoritative conclusion on the research. Rather, there are some notable broader points where generalizations can be made, and cases which allow for projections – more than a conclusive assessment, this paper aims to present new areas for deeper analysis.

### **CIVIL SOCIETY IN THE DEVELOPING WORLD AND THE INCREASING IMPORTANCE OF INDIGENOUS PHILANTHROPY**

There is evidence that philanthropy, and increasingly indigenous philanthropy plays a much more significant role in funding non-profit organizations and civil society in the developing world than it does in industrialized countries. This evidence indicates that the common perceptions of philanthropy's outcomes are perhaps best realized in an indigenous context.

There are several relevant differences between industrialized and developing countries which can account for this. One distinguishing feature of the civil society sector in developing countries is the relatively low level of government support available to it. A history of authoritarianism may help explain this common feature.

Whereas industrialized country governments have often taken a supportive role in the funding and development of civil society, recognizing that partnerships with non-profit organizations and civilian networks can increase the impact of their policy agenda, many developing countries are emerging from or continue to experience government regimes which have actively tried to suppress the development of civil society.

Additionally, the scale of the civil society sector in the developing world is constrained by some difficulties in the collection and circulation of fees from non-profits' 'members'. Many non-profits count on fees from services they offer to clients for part of their annual incomes (such fees are usually substantially lower than what a for-profit business would charge for the same or a similar service). Yet while fees are still a vital source of funding for many non-profit organizations in developing countries, there are some distinct issues which may make this mode of support less reliable. One obvious issue is the poverty and low incomes widespread throughout developing countries; to put it bluntly, there is little wealth to go around, even though fees exacted from non-profits are typically marginal (Salamon et. al, 2003, 30). Additionally however, fee collection may be affected by a pervasive mistrust of civil society organizations in this context. In some regions and countries there is only a limited acceptance of the expanding role of civil society, and citizens question the legitimate scope of public action. In countries where the government has traditionally been recognized as the provider of basic services there is typically a strong resistance to shifting this responsibility – even in light of diminishing state resources and cutbacks in such services. Although relevant studies are limited, it appears that in many developing countries a mistrust of non-profits and civil society organizations has inhibited the public's support – financially and otherwise (Dulany and Winder, 2001, 7).

In addition to a lack of funds from the government and/or difficulties with fee collection, there is the matter of U.S. private philanthropic foundations' previously acknowledged shortfall in funding towards development issues. While several U.S. foundations have played important roles in the creation of many non-profits throughout the developing world, inadequate funding and limited capacity 'on the ground' has left many such non-profits essentially orphaned, without the resources needed to continue their work in the long-term (Etchart and Davis, 2003, 3-4). Though the sustainability of developing world based non-profits is, of course, not exclusively dependent on U.S. foundations, it should be understood that in many cases, such foundations have had and continue to have only a limited supportive impact on civil society funding in developing countries.

Consequently, in some parts of the developing world, *indigenous* private philanthropy has surged into first place as a revenue source for non-profits, and in many other parts it at least represents a significantly larger area of funding than in the Western context. In an extensive study of Pakistan's non-profit sector by the Aga

Khan Foundation (the international foundation of Pakistan's philanthropist Shah Karii al-Hussayni – Aga Khan IV), private indigenous philanthropy was found to account for 37% of the total cash revenues in the non-profit sector; compared to private foreign philanthropy and the public sector's contributions of 7% and 6% respectively (Ghaus-Pasha et al., 2002, 22). This stands in stark contrast to the aforementioned industrialized world figure of 12%.

Thus, the Aga Khan Foundation, which hosted the first ever Conference on Indigenous Philanthropy in Islamabad, Pakistan in October, 2000, describes clearly the importance of enhancing giving and volunteering domestically to “promote sustainable, self-reliant national development” (Aga Khan IV, 2000). The Conference proceedings repeatedly recognized the shortcomings in other forms of funding and aid for civil society; in his keynote speech, Aga Khan noted that building and strengthening [domestic] institutions and sustaining them on a continuing basis will depend primarily on the availability of philanthropic resources. The provision of such resources through indigenous, multi-year grants is the optimum form of support. It enables institutions to plan and develop in an orderly fashion, rather than existing from year to year...The question before this conference is how the movement toward self-reliance can be effectively supported and encouraged at the national, community and individual levels” (Aga Khan IV, 2000).

Figures alone do not fully describe the significance of indigenous private philanthropy; possibly even more important than their capital is the perspective and capabilities of indigenous philanthropists, allowing them to understand local problems and respond accordingly to local needs. As indicated in the above quote, indigenous philanthropy can be vital in achieving self-reliance and ultimately, in establishing strong, effective, and reliable institutions. Preliminary assessments indicate that even when levels of indigenous funding are lower than external sources (i.e. from U.S. private foundations), the propinquity, flexibility, and readiness to act which is typical of indigenous philanthropic actors can lead their funding to exert a greater impact on non-profit operation (Sulla, 2007, 7-8).

## **DRIVERS OF INDIGENOUS PHILANTHROPY**

However, limitations in other sources of funding are not a reason in themselves for the growing importance of the sector. There are diverse and nuanced other drivers precipitating the growth of indigenous private philanthropic foundations, and through their work, the growth of civil society in the developing world.

Notably, economic elites in developing countries are increasingly recognizing the advantages which they can reap from a vibrant civil society. Though the strategic, self-interested aspects of U.S. private philanthropy or other aid have been widely

discussed (Hopkins 2000; Easterly 2008; Moyo 2009), analysts often overlook such elements in indigenous philanthropy, instead depicting developing world philanthropists as largely “altruistic” and “charitably oriented” (Viswanath and Dadrawala, 2004, 21). Though there is some degree of altruism in any sort of philanthropy, there are also distinct benefits which elites in developing countries can generate from facilitating a counterpoint to the dominant state. The work of Russian businessman Mikhail B. Khodorkovsky through his Open Russia Foundation presents a clear example. Khodorkovsky was one of Russia’s richest oligarchs, and a consistent critic of the government and political authorities. In particular, Khodorkovsky was openly critical of what he called a ‘managed democracy’ within Russia:

It means that theoretically you have a free press, but in practice there is self-censorship. Theoretically you have courts; in practice the courts adopt decisions dictated from above. Theoretically there are civil rights enshrined in the constitution; in practice you are not able to exercise some of these rights (Myers 2003).

Founded in 2001 as the private philanthropic arm of Khodorkovsky’s YUKOS Oil Company, the foundation has stated that its primary aim is “to foster enhanced openness, understanding and integration between the people of Russia and the rest of the world” (Khodorkovsky Center Website, Accessed September 9, 2009). Despite this somewhat ambiguous mission statement, however, Khodorkovsky has been quite clear that the motivation for the establishment of the foundation was the promotion of civil liberties; despite his status as an economic elite, Khodorkovsky recognized that he was limited (economically, politically and personally) by the policies of the state. Tellingly, Khodorkovsky was arrested in 2003 for charges of tax evasion and fraud and sentenced to nine years in prison, in an incident which the U.S. State department described as “[raising] a number of concerns over the arbitrary use of the judicial system... as it appeared there were selective prosecutions occurring against YUKOS officials but not against others” (United States Department of State, 2006). The U.S. Senate has since passed a resolution condemning the Russian government for “Khodorkovsky’s politically motivated arrest” (Senate Resolution 189, 111<sup>th</sup> Congress, 1<sup>st</sup> Session, 2009). After his arrest, Khodorkovsky’s bank account was frozen by the Russian authorities, substantially limiting the endowment of the Foundation.

In addition to the strategic desire to diminish such formal limitations imposed upon economic elites by a dominant state, indigenous philanthropy has also emerged as a reaction to limitations posed by the tremendous gap between rich and poor in developing countries. Poverty and inequality have repeatedly been hypothesized as powerful determinants of crime and violence, and there are numerous recent studies which demonstrate that there is indeed a positive correlation between unequal distribution of wealth and crime (Bourguignon, 2001). Particularly in developing countries, where the poor typically have highly limited strategies for survival, this

ever-widening gap has been attributed to increases in the level of physical violence against wealthier individuals. Empirical observation aside, the presence and implications of inequality-driven criminality are often painfully obvious: since the mid 1980's in Brazil, for example, many economic elites have been forced to constantly surround themselves with bodyguards for protection against muggings or kidnappings (Dulany and Winder, 2001, 2). Such circumstances led a group of wealthy individuals and corporate leaders to address the underlying, systemic drivers of crime (i.e. poverty) through the establishment of the ABRINQ Foundation for Children's Rights in 1990. Driven by concern about increased violence amongst and against youth, ABRINQ's founders gathered around the goal of working to promote the rights of children and youth at risk in Brazil. The foundation aims to achieve this by "mobilizing civil society and government to make children and youth a priority, and by promoting and disseminating successful experiences, policies and actions that can be replicated" (Dulany and Winder, 2001, 2). Awareness of poverty has driven a remarkable surge in Brazilian philanthropy, and ABRINQ is part of a more than two-fold increase in the number of indigenous private foundations since 1980 (Dulany and Winder, 2001, 3).

There are also important cultural notions which are driving private philanthropy throughout the developing world. In fact, one of the most interesting aspects of indigenous philanthropy is the extent to which it is based in cultures of giving distinct from those prevalent in the U.S. In countries ranging from South Africa to Ecuador, some economic elites are tapping into and modifying culturally specific modes of giving, applying new institutional models to their philanthropic foundations. Ethnic and religious backgrounds can be powerful motivators for philanthropy; many religions stress a concern for the less privileged – particularly for those within the same religious or ethnic group – and occasionally oblige donations or other redistribution of wealth (e.g. the tradition of Zakat in Islam). Indigenous philanthropy also frequently taps into cultural ideas which suggest a sense of kinship and willingness to help other community members in times of need; giving in this context thus becomes a service to one's community, rather than a random charitable act to a distant stranger. In Indonesia, for example, much of the population still lives in rural areas and practices 'gotong royong', which is essentially a concept of mutual aid. This practice is supported by four themes: that man does not live alone in this world, but is part of his community, the wider social environment, and the natural and spiritual universe around him; man is essentially dependent in all aspects of his life on his fellows; man must always endeavor to maintain good relations with other members of the community, urged by a spirit of equality; and man must always endeavor as much as possible to conform, and to do the same and be the same as his fellows in the community (Quebral and Terol, 2002). Importantly, presenting philanthropy as religiously and/or traditionally grounded can be a powerful motivator and can re-characterize its mission, circumventing the aforementioned mistrust of civil society which is pervasive throughout the developing world. Development

actors are beginning to recognize such implications; drawing upon the promise which traditional cultures of giving hold for local development, TrustAfrica – a non-profit organization with a focus on indigenous philanthropy – organized a symposium in April 2008 centered on developing a programmatic framework for linking traditional forms giving with “new” forms of institutionalized philanthropy. The symposium was a seminal meeting, gathering representatives from over 50 African foundations and non-profits.

## **CHALLENGES AND CONCLUSIONS**

While the importance of Western private philanthropy in facilitating the consolidation of civil society has been exaggerated, evidence shows that indigenous foundations can play a much more important role in developing countries, where governments lack the resources or political will to fund non-profits, and fee collection is constrained for various reasons. However, despite an overall trend toward increasing the number and quality of these foundations, there are also still numerous challenges ahead for the further development of indigenous philanthropy, and ultimately civil society in the developing world.

In addition to capital accumulation, sustained levels of philanthropy also require the passage of time and confidence in one’s political and economic security. The first priority of successful entrepreneurs is to accumulate wealth and ensure its stability, not to give it away. It must be remembered that the economic expansion which has allowed for some philanthropic redistribution of wealth in the developing world is quite recent. Thus, particularly in countries subject to fluctuating economic performance, the reliability and consistency of private philanthropic giving may be subject to dramatic changes in the long term – this may counteract assertions that ‘self-reliant’ indigenous philanthropy is more sustainable than dependence upon U.S. donors.

Another challenge is posed by distinct cultures of giving which exist throughout the developing world. Though such diverse cultural notions can and are being tapped in emerging indigenous philanthropy, these notions can often be either too vague or too limited (i.e. family or community specific) to effectively operationalize and formalize, and they can occasionally come into contrast with the dominant U.S. model of philanthropic action. Most indigenous philanthropy flows through individual person to person, community to community relationships of trust and compassion, rather than through formal institutions; it has yet to be seen whether and how such informal practices will be institutionalized in the long term.

In the best case scenario, as indigenous philanthropy grows, it will provide additional funding for activities which have been mistakenly understood as being adequately

supported by other sources, including U.S. donors. Though it has done much good domestically and abroad, the realities and shortcomings of private U.S. foundations' development work must be appreciated. Indigenous contributions can and ultimately must help sustain essential social work and strengthen civil society in the developing world. The influence and importance of such contributions may prove to result less from the monetary values of their grants than from their capacity on the ground, their local knowledge and their willingness to innovate to local context.

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