



**MINISTRY FOR THE
ECONOMY,
INDUSTRY AND EMPLOYMENT**

**MINISTRY FOR THE BUDGET,
PUBLIC ACCOUNTS, THE CIVIL
SERVICE AND STATE REFORM**

**IGF
General Inspectorate of Finance**

REPORT

No. 2009-M-089-02

PRIVATE PHILANTHROPY DIRECTED TO DEVELOPMENT AID

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- FEBRUARY 2010 -

Mission on private philanthropy directed to development aid

Summary of conclusions – 1st April 2010



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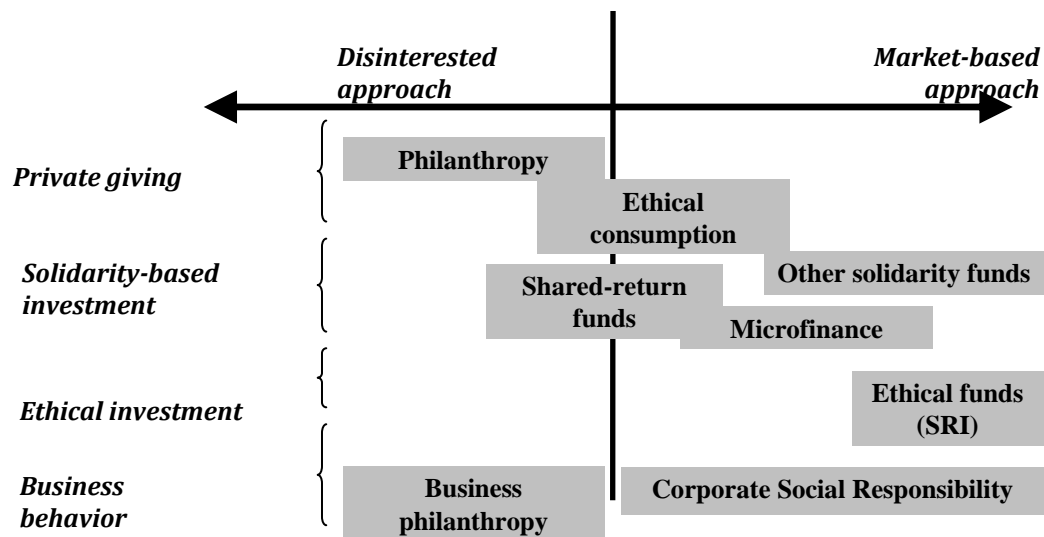
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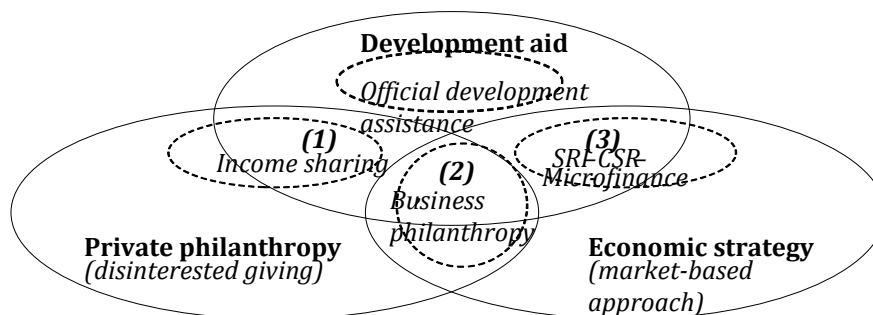
MINISTRY FOR THE BUDGET, PUBLIC
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STATE REFORM

Scope of the mission

❑ New dividing lines between for-profit and not-for-profit



❑ Mission targeting the intersection between philanthropy and development aid



French philanthropy and development aid: satisfactory volume of giving but fragmented deployment

- ❑ **Satisfactory volume of donations but a fragmented array of stakeholders**
 - Marginal status among nonprofits and foundations
 - Average giving volume from €600 to €800 million
 - Relatively heterogeneous, fragmented sector needing greater professionalism

- ❑ **Varied actors who often prefer keeping a low profile**
 - Three profiles having differing needs: individual, large philanthropist, company
 - Satisfactory legal and tax treatment, but overly complex
 - A challenge: overcoming the relatively poor image of development aid to facilitate mobilization for that cause

- ❑ **A diplomatic strategy for private aid under construction**
 - A new official/private assistance balance to be found (national, European and international)
 - At the Foreign Affairs Ministry, institutional reform to more fully recognize the importance of private aid in development aid
 - An appropriate European scale



Repositioning of the government and more effective reciprocal leveraging between private aid and government intervention (1)

- ❑ **Over the short term, meet needs put forward by the actors**
 - Stabilize and clarify tax territoriality rules in taxation
 - Improve cross-sector information and advice
 - ⇒ Information and advisory platform on philanthropy (tax, legal, and financial aspects) (2010-2011)
 - ⇒ Information/advisory platform on development aid (2010-2011)

- ❑ **Over the medium and long term, experiment partnerships based on the synergies and complementary strengths of the various actors in development aid:**
 - Improve monitoring and public policy support for private aid
 - Test innovative support vehicles for CSR and multi-actor partnerships
 - ⇒ Creation of a GAVI-type fund or specific AFD tenders (2010-2012)
 - Support structuring of private aid on a European scale
 - ⇒ *European observatory of private development aid (2012)*
 - ⇒ *Support for multi-actor partnerships on a European scale (2012)*



Repositioning of the government and more effective reciprocal leveraging between private aid and government intervention

(2)

- ❑ **On a complementary basis, support or facilitate initiatives by private actors likely to increase the giving potential of private philanthropy:**
 - **Explore better synergies between financial investment and philanthropy: investing by nonprofits and foundations in solidarity savings, links with employee savings schemes, etc.**
 - **Help implement new ways of giving: donations by rounding up prices or by donor messaging services, etc**
 - ⇒ *Support for the creation of a website for online donations in international solidarity based on the Global Giving model (2010-2012)*
 - **Encourage greater professionalism and transparency in the sector: independent performance assessment, assistance in developing standard indicators of transparency in activities, etc.**
 - **Help foster a better image for international solidarity**
- ❑ **Paving the way for a partnering implementation ...**
 - **Symposium on “The role of the State and the EU in supporting private actors in development aid” (2010)**
 - **Luncheons and contacts with major companies and philanthropists (2010)**



EXECUTIVE SUMMARY

The contribution of private philanthropy to development aid is often measured against the example of philanthropy in the United States, which reported €11.8 billion in donations to the OECD Development Assistance Committee (DAC). Another major trend in development is the global role played by certain foundations in the United States and elsewhere, among them the Gates (€2bn in grants in 2008), Clinton or Aga Khan Foundations.

French philanthropy, in contrast, has experienced little growth, a fact often criticized and a future challenge singled out in the government's General Review of Public Policies (RGPP) on "development aid." Yet the contribution of French philanthropy to international solidarity overall – both in aid to developing countries as defined by the DAC and in emergency aid – is far from trifling, notwithstanding its low profile:

- totaling €600m to €800m, private donations for development aid in France are on a par with other industrialized countries, except the United States.
- France's real weakness is its lack of world-class development actors comparable in size to the non-governmental organizations (NGOs) and foundations in the English-speaking world. France does have a number of humanitarian NGOs with internationally recognized expertise and networks (e.g., Doctors Without Borders and Action Against Hunger), but they are all smaller. Furthermore, with a few exceptions, French foundations are relatively undercapitalized even on a European scale and primarily national in scope.

The low profile of French private philanthropy abroad may also be attributed to the motivations of donors, who tend to be discreet about their donations, and to the image of development aid, which is overshadowed by humanitarian causes.

Donors, philanthropists and companies generally adopt one of three approaches:

- funding a nonprofit or foundation to support its action;
- financing and setting up their own structure;
- engaging in the solidarity economy – corporate social responsibility, socially responsible investing, solidary savings and other strategies – as providers or buyers.

These various forms of development aid action benefit from advantageous treatment under the French tax and legal system. However, the same advantages apply to philanthropic endeavors generally and are not always favorable to international solidarity:

- Tax policy does play an “open-ended entitlement” role for actors in the philanthropy sector, but uncertainties as to tax territoriality may discourage donations for international solidarity.
- The legal structures are diverse and flexible, ranging from foundations and nonprofit organizations to endowment funds, so that individual philanthropists or companies can build their own specific strategy.
- There is room for improvement in advisory and information services, particularly on international solidarity, because the operating complexity of projects in that field is greater than in other causes.

From a broader perspective, the government's fiscal and diplomatic approach does not give adequate consideration at national level to cross-sector action by private stakeholders in development aid. Internationally, France takes part in public-private partnerships involved in innovative funding vehicles (GAVI, UNITAID, and others), which offer good examples of successful public-private synergies, both financially and operationally.

The proposals set out in this report are of three different types:

- In the short term, meeting the needs put forward by stakeholders:
 - stabilize and evaluate current tax legislation and clarify tax territoriality rules,
 - improve advisory and information services on philanthropy generally and in particular development aid.
- In the medium and long term, experiment with partnerships to capitalize on the synergies and complementary strengths of the various stakeholders in development aid:
 - improve monitoring and public policy support for private giving;
 - test repositioning of the expertise and funding provided by the government;
 - back structuring of private aid on a European scale.
- On a complementary basis, support or facilitate the emergence of initiatives in the private sector to help expand private philanthropy: increased synergy between financial investment and philanthropy, innovative ways of giving, support for greater professionalism and transparency, and an improved image for international solidarity.

Government support can only succeed if the stakeholders in philanthropy are consulted and involved in determining the ultimate objectives and operational deployment of the majority of the mission team's proposals. A symposium on "The role of the State and the European Union in supporting private actors in development aid" could offer an opportunity to present this report's main proposals and identify organizations interested in working on them or even taking over the approach with the government's support. The aims of the symposium would include:

- defining the content and practical organization of the proposed information systems:
 - creation of a cross-sector information and advisory platform on philanthropy for actors and donors in the sector;
 - creation of a dedicated information platform on development aid, modeled on the existing AFD website (<http://www.monde.org>).
- defining the specific conditions for partnering under the proposed mechanisms of GAVI type funds or AFD tenders aimed at supporting corporate social responsibility and partnerships among multiple public and private actors (NGOs, companies and foundations). Their deployment on a Europe scale could also be addressed.
- examining more particularly the proposal to support the creation of a "Global Giving France", a fund designed to meet the needs of donors who want to "give differently" and establish a direct relationship with the recipient project and actors.

The table below outlines a suggested timetable for the implementation of these proposals.

Table 1 – Summary of proposals and suggested timetable

Objective	Lever	Proposal	Lead government entity	2010	2011	2012
Objective 1: In the short term, stabilization and provision of needed information and advice	Lever 1: Stabilize the mechanisms	Proposal #1: Refrain from creating new tax incentives or legal instruments (in 2010) and assess the implementation of the endowment fund in 2012 (see annex 2, proposals 1 and 2)	Economy Ministry (tax policy directorate [DLF])			
		Proposal #2: Clarify the territoriality rules applying to donations directed to international solidarity (“tax directive”) (see annex 2, proposal 3)	Economy Ministry (DLF)			
		Proposal #3: In the medium to long term (starting in 2012), plan to review the consistency and effectiveness of tax rules (see annex 2, proposals 4 and 5)	Economy Ministry (DLF)			
	Lever 2: Facilitate access to information	Proposal #4: Create or foster the creation of a cross-sector information platform on charitable giving (see annex 2, proposal 6)	Economy Ministry (legal affairs directorate [DAJ])			
		Proposal #5: Create an information and advisory portal on development aid and mobilize public actors on the ground (see annex 2, proposals 10 et 11), modeled on the BENG0 advisory center for German private actors	French Development Agency (AFD)			
Objective 2: Foster synergies between public and private stakeholders	Lever 1: Gain knowledge about and track private aid Lever 2: Better leverage private aid in policy objectives	Proposal #6: Compare the SIREN enterprise registry and the RNA (Registre National des Associations) nonprofit organizations registry for common data and improve the RNA nomenclature to track development aid more effectively (see annex 3, proposals 1 and 2)	Economy Ministry (national statistics and economic studies institute [INSEE]) and Interior Ministry			
		Proposal #7: Examine the resources and expenditures of NGOs raising more than €153,000 to assess donations received and devise a stable methodology for evaluating the annual contribution of private development aid, drawing on work by the OECD Development Assistance Committee (DAC), with the aim of periodic evaluation of the contribution of private philanthropy (see annex 3, proposals 3 and 4)	Economy Ministry (INSEE and Treasury and economic policy general directorate [DGTPE])			
		Proposal #8: Build a minimum standard reporting model for corporate social responsibility together with the sector on the basis of voluntary initiatives (see annex 3, proposal 5)	Initiative by the Economy Ministry, then DAJ or Foreign Affairs Ministry (CSR Ambassador)			

Objective	Lever	Proposal	Lead government entity	2010	2011	2012
		Proposal #9: Submit an initiative to the OECD to supplement the standard indicator of official development assistance (% of GNI) with a performance indicator (decision by the Council for the Modernization of Public Policies following the RGPP on development aid) and/or propose a policy objective encompassing both public and private aid (see annex 3, proposal 6)	Economy Ministry and Foreign Affairs Ministry			
	Lever 3: Test repositioning of government support for private actors	Proposal #10: Organize a symposium on "The role of the State and the EU in supporting private actors in development aid" and theme luncheons with the Economy Minister, first with major French corporations and second with large philanthropists in a sector (see annex 3, proposals 12 and 13)	Economy Ministry (Minister's office)			
		Proposal #11: Pursue and step up AFD initiatives aimed at funding research on private aid to development (see annex 3, proposal 7)	AFD			
		Proposal #12: Increase secondment of government personnel or that of government operators to work with non-governmental organizations (see annex 3, proposal 8)	High Commission for Youth			
		Proposal #13: Develop the government's policy of partnership agreements with leading NGOs and/or grouping of smaller NGOs in France, based on in-the-field initiatives and needs and emphasizing a geographical or thematic approach (see annex 3, proposal 9)	AFD			
		Proposal #14: Create a GAVI-type fund (possibly managed by Proparco) to support multi-actor partnerships of NGOs, companies and the government, on the basis of local needs or specific AFD calls for tender targeting the same objective (see annex 3, proposals 10 and 11)	AFD			
		Proposal #15: Experiment with an AFD funding mechanism for companies on actions expanding their CSR initiatives (see annex 1, proposal 3)	AFD			
	Lever 4: Support structuring of the sector on a European scale	Proposal #16: Accelerate integration of European development aid policies, with emphasis on a more cross-sector, coordinated approach to the role of private actors in development, and resume work to develop a specific legal status for European nonprofits or foundations (see annex 3, proposals 14 and 15)	Economy Ministry (DGTPE) and Foreign Affairs Ministry			

Objective	Lever	Proposal	Lead government entity	2010	2011	2012
		Proposal #17: Create a European observatory of private actors in international solidarity (see annex 3, proposal 16)	Economy Ministry (DGTPE) and Foreign Affairs Ministry			
		Proposal #18: Provide financial support for CSR and multi-actor partnerships on a European scale (see annex 3, proposal 17)	Economy Ministry (DGTPE) and Foreign Affairs Ministry			
Objective 3: On a complementary basis, support private initiatives to help expand philanthropy	Lever 1: Capitalize on the synergies of financial investment and philanthropy	Proposal #19: Communicate on the use of socially responsible investing or solidarity saving as means to support philanthropy and CSR (see annex 1, proposal 4)	Stand taken by the Minister			
		Proposal #20: Explore more flexible regulations on employee savings plans with a view to opening investment in social funds to funds similar to the <i>Danone.communities</i> mutual fund (see annex 1, proposal 7)	Economy Ministry (DGTPE and DLF)			
	Lever 2: Promote the development of new ways of giving	Proposal #21: Support the creation of a "Global Giving France" (see annex 2, proposal 12)	AFD			
		Proposal #22: Explore the feasibility of donations in the form of rounded up prices (see annex 1, proposal 6)	Economy Ministry (DLF)			
		Proposal #23: Encourage more regular use of messaging-based giving at standard call rates	Economy Ministry (DLF)			
		Proposal #24: Over the longer term, encourage implementation of a "payroll giving" model in which donations are withheld by the employer and paid to an NGO (see annex 2, proposal 7)	Economy Ministry (DLF)			
		Proposal #25: Support the solidarity lottery model and its ongoing international growth (see annex 1, proposal 8)	Economy Ministry (DGTPE)			
	Lever 3: Support greater professionalism in the sector	Proposal #26: Assist requesting organizations in the sector in developing a summary information template to give donors insight into their reliability (see annex 2, proposal 9)	Economy Ministry (DAJ)			
Proposal #27: Encourage nonprofit organisations to undertake evaluations by cofinancing the cost of outside auditors as of 2010 and, in 2011, organize a convention (<i>Etats Généraux</i>) on evaluation of public and private development aid actions (see annex 1, proposals 1 and 2)		AFD				

Objective	Lever	Proposal	Lead government entity	2010	2011	2012
		Proposal #28: Set up a working group on the standard on the competency requirements of volunteers in international solidarity (see annex 1, proposal 5)	High Commission for Youth			
	Lever 4: Improve the image of development aid	Proposal #29: Present international solidarity as a major national cause in 2011. Use the solidarity lottery to communicate a positive image of international solidarity. Inform the networks' news broadcasting divisions of the oversight mechanisms and structures (e.g. information platform) to be put in place (see annex 2, proposal 13)	Economy Ministry and AFD			

Source: Mission team.

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INTRODUCTION

In an engagement letter dated September 30, 2009, the French Minister for the Economy, Industry and Employment asked the General Inspectorate of Finance to draw up a report on private philanthropy directed to development aid. The mission stems from the government's General Review of Public Policies (RGPP) on official development assistance, which included recommendations on strengthening the role of private philanthropy and "emerging actors" like foundations.

Development aid was long considered a prerogative of the government. Even today, the policy objective for official development assistance, set internationally at 0.7% of gross national income, is anchored in a primarily sovereign approach to international solidarity. Nevertheless, the development aid sector is increasingly competitive and involves a multitude of private stakeholders.

In the English-speaking world, foundations have emerged on a truly global scale. The Gates Foundation, with an endowment of \$34.17bn (€24.46bn) as at September 30, 2009 and \$2.8bn (€2bn) in grants in 2008¹, dwarfs the World Health Organization with its total budget of \$4.2bn (€3bn)² for 2008 and 2009. No comparable structures exist in France or indeed anywhere in Europe.

At the same time, the very concept of philanthropy has become far more diversified, extending into corporate social responsibility and solidarity-based investing. An analysis of private philanthropy directed to development aid thus entails understanding the interplay of two rapidly evolving concepts, where there are ever larger numbers of actors and types of intervention.

Underpinning government support for private philanthropy directed to development aid are diplomatic, legal, budgetary and tax vehicles, each of which is brought into play differently:

- on the one hand, budgetary and diplomatic instruments for private philanthropy directed to international solidarity, which are targeted due to their perception as an integral part of sovereign policy reflecting specific political priorities;
- on the other, legal and tax instruments common to all types of philanthropy and reflecting the State's resolve to allow individuals or companies decide which causes they wish to support to further the public interest.

Actors in philanthropy commonly consider that the government has its own policy agenda and feel strongly about protecting their independence. Still, they do want their contribution to the public interest to be recognized and encouraged.

At a policy-making level, stakeholders want to have a say in defining and implementing the instruments designed for them. State support for private philanthropy in development aid falls outside the realm of conventional sovereign policy. It must be framed as an approach based on recommendation and partnership rather than as a "turnkey" solution defined by the government. This report reflects that approach, outlining issues worth exploring or possible solutions while judging that their practical implementation, and possibly their strategic objectives, should be discussed and fine-tuned with the stakeholders.

The first annex to this report evaluates the current contribution of French philanthropy to development aid as a whole, the potential that could be mobilized, and the outlook for the future (1).

¹ Source: Gates Foundation

² Source: WHO

To tap that potential requires effective mobilization of stakeholders. The second annex therefore analyzes the appropriateness of legal and tax instruments from the standpoint of the motivations and business strategies of actors in philanthropy and development aid (2). The third annex proposes solutions for adapting government strategy and official aid to private actors, in terms of diplomatic initiatives and partnerships (3). The mission's work, from November 2009 to February 2010, compiled a broad spectrum of opinions from numerous public and private actors. Comparisons with other countries were based on information collected during three trips to Germany, the United States and Brussels and on a survey by the Treasury and Economic Policy General Directorate of the United States, Canada, Germany, the United Kingdom, Spain, Sweden and Norway (see annex 4).

1. French philanthropy directed to international solidarity still holds untapped potential

French philanthropy in international solidarity, although difficult to quantify (1.1), suffers more from the sector's fragmentation (1.2) than from a shortfall in donations, but nevertheless holds development potential (1.3).

1.1. Based on estimates, France is ranked average for philanthropy directed to development aid

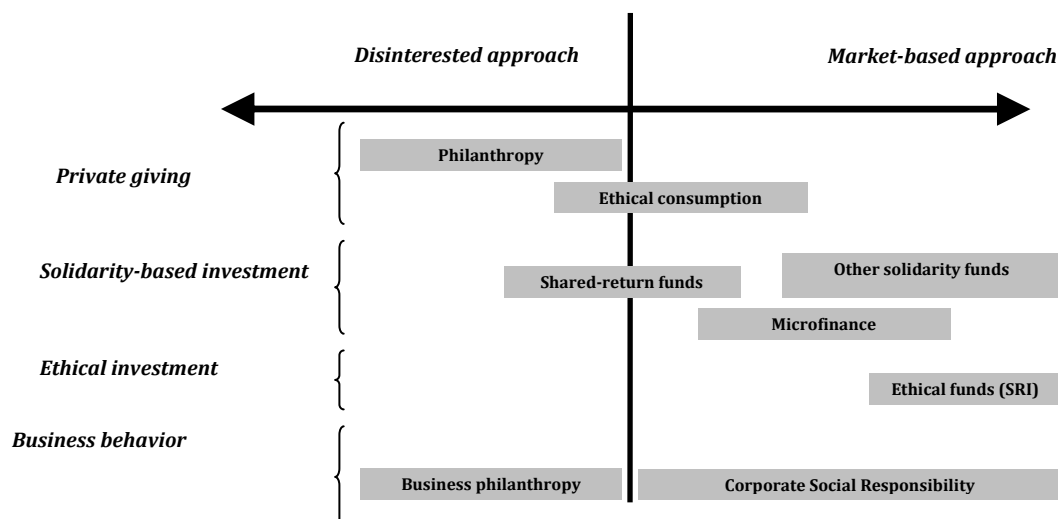
1.1.1. Development aid and philanthropy: (r)evolutionary change?

The mission team took development aid in its broader meaning of "international solidarity," which includes not only development aid strictly speaking but also emergency humanitarian aid. Although these two concepts are in theory distinct, they are often difficult to distinguish in practice and statistically, particularly in relation to post-emergency and reconstruction aid operations. There is in fact no official definition for development aid, although the OECD Development Assistance Committee (DAC) keeps a list of countries receiving official development assistance. For the countries on that list, the mission team took "development aid" as encompassing emergency aid and outcomes bringing structural improvements in their economic and social conditions (e.g., infrastructure, health, education, governance building or the environment).

Since the 1960s, governments and international bodies have recognized the operational and strategic contribution of non-governmental organizations (NGOs). However, it has taken longer for foundations and companies to gain recognition as partners in development aid, on the basis of corporate social responsibility (CSR) or the development of products specifically for poorer countries. Private aid is in any case rarely viewed from a cross-sector perspective encompassing all its components. Recent developments in philanthropy, including the increasingly blurred dividing lines between disinterested giving and a market-based approach, underscore the need for a more holistic understanding of private aid.

For instance, a given approach may be described as either **disinterested giving** or **business philanthropy**, depending on the donor's real or assumed intention: disinterested if the donor expects nothing in return, market-based if the donor expects an indirect benefit such as improved image.

Chart 1 - Positioning of the dividing lines in philanthropy

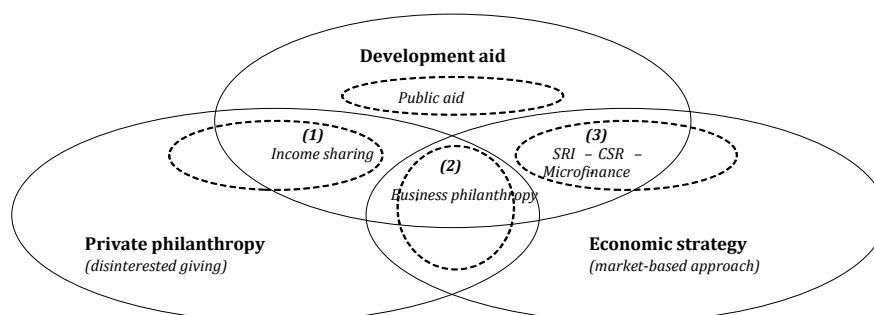


Source: Mission team.

Venture philanthropy employs entrepreneurial methods to optimize funds earmarked for a philanthropic goal. Conversely, **corporate social responsibility (CSR)** and its financial counterpart **socially responsible investing (SRI)** combine social and environmental criteria with a profit-making approach. In addition, a whole range of tools provide opportunities for investors to integrate a philanthropic approach into their day-to-day economic existence: **solidarity finance** (products for interest income sharing with a solidarity-based entity or NGO or for funding of solidarity actions), **ethical consumption**³ (adjusted pricing of items to finance solidarity actions) or **innovative financing instruments** (airline ticket tax, sharing of winnings from charitable lotteries, etc.).

This report focuses on a relatively narrow, circumscribed field at the intersection of three concepts – international solidarity, philanthropy and a market-based approach (see annex 1, 1.1).

Chart 1 - Positioning of the mission's scope



Source: Mission team.

³ The mission team did not specifically study ethical consumption, closely linked to fair trade and too vast a subject to be dealt with in the time available.

1.1.2. France ranks average by share of private donations in philanthropy

No public or private statistics produced according to a consistent methodology accurately assess the financial contribution of private philanthropy to development aid on a national or international scale (see annex 1, 1.2.1 and 1.2.2):

- The Interior Ministry’s national registry of associations (RNA) and the SIREN registry kept by the French statistics and economic studies institute INSEE⁴, which are not systematically updated⁵ and employ differing nomenclatures, do not give an exact count of the NGOs, foundations or endowment funds operating in international solidarity.
- There are no accounting aggregates showing those entities' individual or consolidated budgets as a whole or the share of donations in that total.
- Tax statistics do not classify donations to organizations operating in international solidarity separately, since the same tax relief measures apply not only to philanthropy but also to trade-union and political donations. Furthermore, tax authorities only track donations reported by individuals and companies, which can also choose not to report if they do not want to benefit from the tax relief.

General or detailed metrics of philanthropy draw on surveys from various sources⁶, many of which do not specifically identify development aid and have to be cross-checked – a methodologically unsatisfactory solution. **After comparing these various studies, the mission team was able to estimate French private philanthropy directed to development aid at approximately €600m to €800m per year.** This estimate does not, however, include either corporate social responsibility actions or the economic value of volunteer work.

Table 2 – Summary of the estimated contribution of philanthropy directed to development aid

	Philanthropy as a whole		Development-aid philanthropy
	Reported	Estimated	Estimated
Individuals	€1.8bn (reported income tax and wealth tax source DGFIP)	€2.7bn (inc. bequests, source Cerphi)	€0.65bn (source Cerphi interview)
Companies	€0.55bn (reported corporate income tax, source DGFIP)	€2.5bn (source ADMICAL)	€0.15bn (ADMICAL data adjusted by mission team)

⁴ The RNA registry lists all nonprofit organizations, foundations and endowment funds as of their creation (see annex 1). The SIREN registry lists all nonprofit organizations that pay taxes, have employees on their payroll or receive grants.

⁵ Although the data on new entities is up-to-date, that may not be the case for entities that are wound up or change their corporate purpose.

⁶ The CERPHI research center in philanthropy (Centre d'Etudes et de Recherches sur la Philanthropie), France Générosités, the corporate philanthropy club ADMICAL (Association pour le Développement du Mécénat Industriel et Commercial), and a survey by the former Cooperation and Development Commission (COCODEV).

Total	€2.35bn (total reported)	€3.2bn (source Fondation de France Obs.) to €5.2bn (combined estimates)	€0.6bn to €0.8bn Widely estimated at €0.7bn or €0.75bn (sources Cooperation and Development Commission and Hudson Institute)
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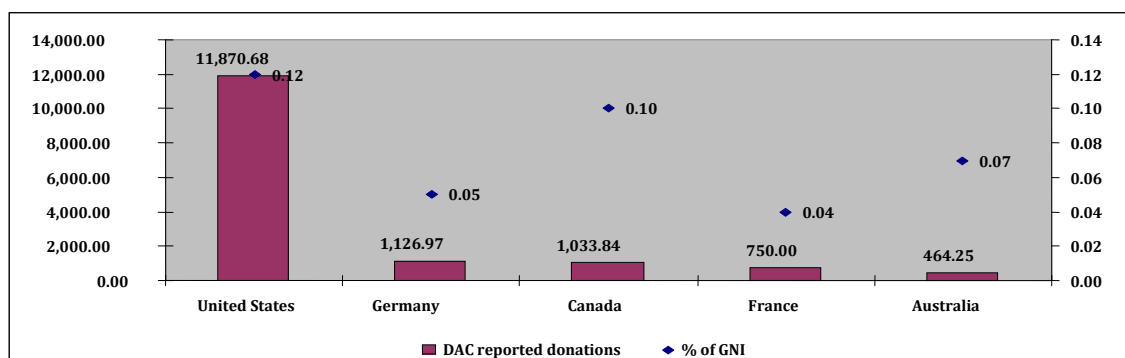
Source: Mission team. See annexes 1.2.1 and 1.2.2 for the significant methodological limitations of such a summary.

Even greater discrepancies arise in estimating global philanthropy directed to international solidarity (see annex 1, 1.2.3). The World Bank's estimates range from \$3bn to \$5bn (€2.2bn to €3.6bn)⁷, whereas the evaluation by the Hudson Institute's Center for Global Prosperity⁸ is \$49.09bn (€35.18bn) and the OECD DAC gives an intermediate estimate of €18.5bn (€13.2bn) in 2007.

Depending on the number of different classes of philanthropic action surveyed (sponsorship, volunteer work, etc.) or on the metric used – resources or expenditures, the risks of double counting can lead to variations and make accurate evaluation of discrepancies impossible⁹. French Government has not reported private donations to the DAC since 2004, but the mission team's findings put France in the average by absolute value.

Whatever classification method is used in international solidarity, the United States ranks first with a contribution of \$307.6bn (€224.8)¹⁰, a figure ten times higher than Germany's contribution but accounting for a mere 3.8% of America's total philanthropy.

Chart 3 - France's ranking among DAC countries in €m and % of gross national revenue (2008)



Source: OECD DAC figures furnished by the DGTPE for the United States, Germany, Canada, and Australia; calculated for France by the mission team.

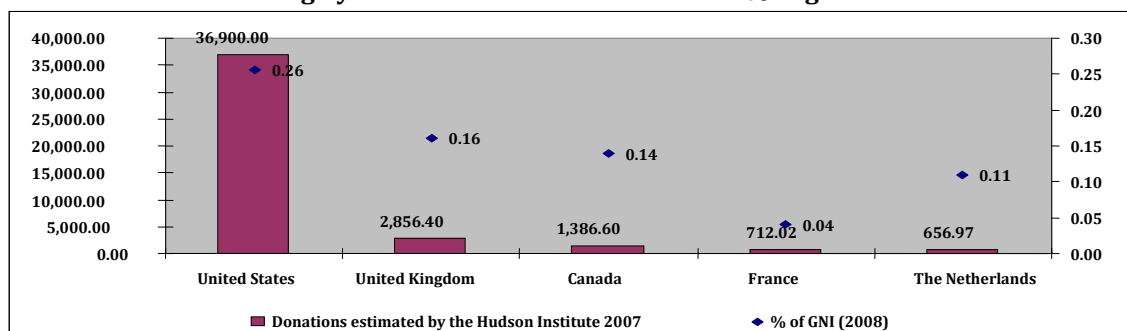
⁷ World Bank estimate for 2005.

⁸ Center for Global Prosperity, *The Index of Global Philanthropy and Remittances 2009*, Washington, 2009. The figures are for 2007.

⁹ Philanthropy may be measured in terms of either resources or expenditures. Because expenditures can be financed by donations from individuals as well as other philanthropic structures or governments, there is a significant risk of double counting.

¹⁰ See annex 4, United States, p. 62.

Chart 4 - France's ranking by the Hudson Institute in €m and % of gross national income



Source: Hudson Institute Center for Global Prosperity, The Index of Global Philanthropy and Remittances 2009.

1.2. French private actors in development: heterogeneous, relatively unstructured, and with limited budget leverage abroad

Although the volume of private giving is satisfactory, the fragmented nature of the French philanthropic sector limits the impact and financial leverage of individual actors on the ground.

1.2.1. On the French philanthropic landscape, private actors operating in development aid are in the minority

According to rough estimates¹¹, only about 4% of all NGOs and 4% of all foundations operate in international solidarity (see annex 1, 1.3.1).

Table 3 - NGOs and foundations in development aid, summary from surveys and estimates (2007*)

	Estimates all sectors	Estimates international solidarity sector
NGOs	1.1 million estimated active (CNRS)	35,000 (Interior Ministry) to 45,000 (national center for scientific research)
Public benefit foundations	541 (Interior Ministry)	60 (mission team estimate based on CNRS research)
Corporate	177 (Interior Ministry)	
Endowment funds	195 (Economy Ministry)	30 (mission team calculation)
Total	Approx. 1.2 million	35,000 to 45,000

Source: Mission team. See below for details on sources and for certain significant methodological reservations.

** Endowment funds: figures as of February 6, 2010.*

¹¹ The Interior Ministry's RNA nomenclature does not identify international solidarity as such.

1.2.2. French foundations are undercapitalized and smaller than foundations in the U.S. and elsewhere in Europe

French foundations are generally undercapitalized compared with their U.S. and European counterparts. Across all sectors, the assets of French foundations totaled €8m in 2001, well below the €50m in Germany for 1999, €46m in the United Kingdom for 2001-2002 or €45m in Italy for 2002¹². The contrast with U.S. foundations is even sharper, whose assets were worth an estimated \$682.2bn (€488.6bn) in 2008¹³.

In addition to their relatively low capitalization, French foundations have less giving capacity. U.S. foundations granted a combined total of overseas aid estimated at \$4.2bn (€3.1bn) in 2005 and \$5.4bn (€3.9bn) in 2007, of which the Gates Foundation alone accounted for 46.8 percent¹⁴. The Aga Khan Foundation, backed by the Ismaili community, has an annual budget of some \$450m (€329m) and derives \$1.5bn (€1.09bn) in income from the Aga Khan Fund for Economic Development¹⁵. In comparison, European foundations spent \$607m (approximately €490m) in 2005 and in general devote 24 percent of total spending to international development¹⁶.

Comparisons of individual foundations can be even more striking. The €24.46bn asset endowment of the Gates Foundation in 2009 is 300 times larger than the €80m asset endowment of the Mérieux Foundation in the same year¹⁷. Moreover, France has no internationally-oriented foundations along the lines of the Clinton Foundation, which despite smaller resources (\$252m¹⁸ or €182m) can count on its founder's fundraising talents. The balance may well be shifting, however: the Pierre Fabre Foundation, which received the donation of 100 percent of the shares in Pierre Fabre Participations (share capital of €687m) in 2008¹⁹, giving it a 60-percent equity interest in Pierre Fabre Laboratories, may be on its way to becoming a top-tier French actor in the development arena.

Due to their more limited capitalization, French foundations are also less independent. In 2005, investment income accounted for only 8.6 percent of their budget resources, a share roughly equivalent to government grants, which stood at 8.1 percent²⁰. In other words, the funding difficulties of French foundations are similar to those of conventional NGOs.

The relative weakness of French foundations compared with U.S. or German foundations stems from several causes:

- There are 415 billionaires in the United States and 55 in Germany, but only 15 in France²¹.
- The more limited role of government in the U.S. fostered the rapid expansion of foundations.
- Foundations have a longstanding history in the United States and Germany, some of which have been around for a hundred years.

¹² Fondation de France, *Enquête Nationale auprès des Fondations*, Paris, 2005. The substantially higher endowment by the Pierre Fabre Foundation in 2008 (see below) is of course not reflected in these figures.

¹³ Foundation Center, http://foundationcenter.org/gainknowledge/research/pdf/fy2009_highlights.pdf

¹⁴ See annex 4, Tables 3 and 9, pp 63 and 67.

¹⁵ Source: Aga Khan Foundation <http://www.akdn.org/about.asp>.

¹⁶ European Foundation Center, *Fondations in the European Union*, Brussels, May, 2008.

¹⁷ Source: Mérieux Foundation

¹⁸ Source: Clinton Foundation, http://www.clintonfoundation.org/uploads/files/2008_audited_financials.pdf

¹⁹ Source: Pierre Fabre Foundation <http://www.societes.com> for Pierre Fabre Participations share capital.

²⁰ Fondation de France, *Enquête Nationale auprès des Fondations*, Paris, 2005.

²¹ Forbes 2006 ranking, *Problèmes Economiques* – October 29, 2008.

- Another factor is taxation: even after estate tax regulations were eased in 2007, the French inheritance tax system is still less favorable than in the U.S., where estate law does not provide for a reserved portion (*réserve successorale*) for heirs (see annex 2, 2.2.1.3.4).

1.2.3. The French nonprofit sector, divided between the national champions and smaller structures, lacks specialization

The French nonprofit sector in development aid, which prizes its independence and operational effectiveness, is fragmented and heterogeneous. It is composed on the one hand of large, long-established structures receiving the bulk of charitable donations and, on the other, a host of small, sometimes innovative NGOs.

According to a COCODEV study²², 78.2 percent of all public and private resources, not including donations for tsunami relief, went to the 20 largest NGOs in 2004-2005. The 18 largest NGOs in international solidarity receive more than 84 percent of all donations, bequests and other charitable giving, and as much as 91 percent of total bequests (see annex 1, 1.3.3).

France boasts several world-renowned humanitarian NGOs which have built up international networks. Two of them, Doctors Without Borders and Action Against Hunger, spent €164m and €57.5m respectively on field operations in 2008²³. Yet even those NGOs are outsized by their American counterparts. World Vision, for example, the leading U.S. organization, which receives 75 percent of its funding from private donations, raised \$834m (€612m) in donations in 2008 and spent \$979m (€718m) on community-level activities²⁴. Likewise, there is a huge gap between France's largest development NGO, Comité Catholique Contre la Faim, whose annual budget in 2008 amounted to €40m²⁵, and its German counterpart Misereor, whose 2008 budget totaled €175.8m²⁶.

Alongside such champion fundraisers, the rest of the French nonprofit sector remains highly fragmented. The smaller NGOs tend either to intervene in a variety of areas or to focus on innovative niches. Although they are good at mustering collective enthusiasm, on the ground the result may be more fragmented, less effective aid. The distribution of funding tends to perpetuate that fragmentation:

- Public grants account for 49 percent of the resources of the smallest international solidarity NGOs researched by COCODEV, with a sizeable share for decentralized cooperation.
- Similarly, the 18 largest NGOs mentioned above receive "only" 45.9 percent of the resources from donations and grants by companies and foundations (see annex 1, 1.3.3).

Finally, the nonprofit sector in international solidarity is relatively unspecialized. Of the 159 organizations surveyed by COCODEV for 2004 and 2005, 86.8 percent operated primarily in development aid, 24.5 percent in emergency relief, 20.2 percent in volunteering (sending volunteers to work in communities), and 44.7 percent in advocacy. For 21.4 percent of the NGOs polled, development activity as such is often combined with advocacy. By their own account, 34 see themselves as "generalist" NGOs, 113 focus on a specific theme, 59 on a specific geographic area, and 47 on both a specific theme and a specific geographic area.

²² Commission Coopération et Développement study of 159 organizations conducted in 2004/2005 and updated in 2008.

²³ Doctors Without Borders, *2008 Financial Report* and Action Against Hunger, *Activity Report 2008*.

²⁴ World vision, *Financial Statement 2009*, <http://www.worldvision.org/content.nsf/about/ar-financials>.

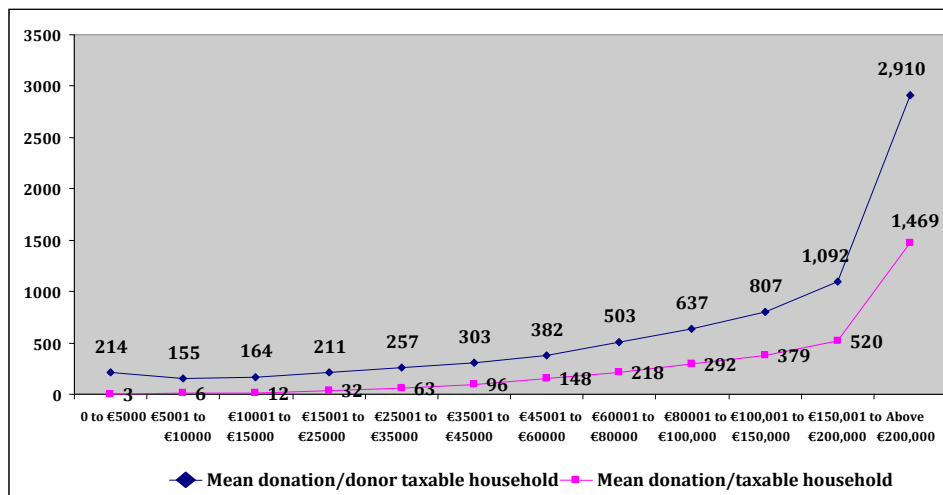
²⁵ Comité Catholique Contre la Faim, *Rapport d'activité 2008*, Paris, 2009.

²⁶ Source: Misereor.

1.3. Fundraising potential that could be more fully mobilized, especially among companies and high-income individuals

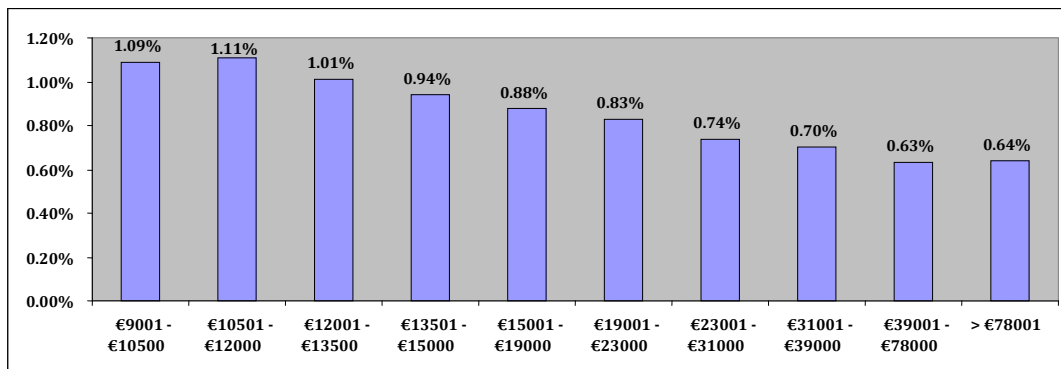
The giving potential of individuals is concentrated among the most affluent taxpayers: 50.5 percent of donor households report income in the above-€200,000 bracket, and the average donation of taxpaying households earning more than €200,000 is thirteen times higher than that of households earning between €0 and €5,000. Yet donations are higher relative to taxable income in the lower income brackets: households earning between €9,001 and €10,500 donate 1.09 percent of their taxable income, whereas households earning more than €78,001 donate only 0.64 percent of their income. This indicates that there is as yet an untapped potential in the upper income brackets.

Chart 5 - Average donation per donor taxable household and average donation per taxable household, in € and by income bracket, 2007



Source: Public Finances General Directorate (DGFIP)– Cerphi calculations.

Chart 6 - Reported donations as a percentage of taxable income, 2007



Source: DGFIP – Cerphi calculations.

Similarly, while only 1,588 bequests are reported each year, a France Générosités survey estimates that some 16,000 individuals are prepared to bequest part or all of their estate to a nonprofit organization or a foundation²⁷. These figures should, however, be treated with caution.

Companies reporting revenues above €2.9m, the largest donors, also hold considerable potential. Major industrial companies and service companies are the categories most likely to donate on an international scale.

There are thus three avenues for developing the potential of private philanthropy directed to international solidarity. All three entail analyzing the motives and strategies of the stakeholders and determining whether the legal and tax instruments, common to all philanthropic sectors, effectively play their role in supporting development aid.

2. Philanthropy directed to development aid is disadvantaged by the complex legal and tax system and by inadequate information and advisory services for actors and donors

The motivations and strategies of actors in international solidarity must be considered from the broader philanthropic perspective. Analysis shows that giving is a complex act but also that development aid suffers from a relatively poor image (2.1). Nevertheless, the legal and tax instruments, although not always ideal in the area of development aid, are generally effective (2.2).

2.1. Giving is a complex act and development aid is a cause that attracts relatively little support

2.1.1. Culture and subjectivity underpin the motivations for giving

The desire to give, triggered in many cases by an emotional reaction to an event, person or cause, is strongly influenced by subjective factors. The decision is complex and at times irrational. It may be based on several motivations that vary from one country or individual to another – a desire to exchange, create a social link, sanction one's social status or assuage a vague feeling of guilt.

The image of philanthropy is on the whole positive:

- ◆ 70 percent of all individuals are donors (40 percent regularly and 30 percent occasionally²⁸);
- ◆ more than 60 percent of the French population trusts nonprofit organizations but only 40 percent are regular donors – the sign of strong potential for future fundraising²⁹.

²⁷ Exploratory survey on bequests to foundations and nonprofit organizations conducted by TNS Sofres on behalf of France Générosités (Executive Summary – November, 2007).

²⁸ Recherches & Solidarité, *La Générosité des Français en 2008*, Paris, 2009.

²⁹ Cerphi, *La Générosité des Français*, Paris, November, 2006.

For three quarters of the 30 to 40 percent non-donor group, the main barrier to giving is the fear that NGOs and/or ultimate recipients will not put donations to good use. In addition, 65 percent of all French people feel they lack information on the actions undertaken by NGOs and foundations³⁰, despite the fact that most of the information sought by donors is already available on websites and in annual reports, for example. One lever for developing fundraising would thus be a short presentation of the key information.

Another barrier can be the feeling that a donation serves no useful purpose unless it is specifically earmarked. The success of such endeavors as sponsoring a child or microcredit projects (e.g., *Kiva*, *Babyloan*) may stem in part from a desire to establish a link with a specific person and witness the practical results of a donation, however modest (see annex 2, 1.1.3).

2.1.2. Development aid suffers from an image gap among donors

Three quarters of the French population consider that France plays a major role in official development assistance³¹, but the latter only ranks third among the causes most widely supported by French people³². The fact is that:

- ◆ donor mobilization centers more on causes that contribute to development aid – health, education, access to water, agriculture and so forth – than on development aid as such, too abstract a concept;
- ◆ the "geography of compassion"³³ can curb the flow of international giving, particularly to certain countries in Sub-Saharan Africa, constantly in the throes of crises, or to Islamic countries;
- ◆ emergency situations and humanitarian crises trigger a strong emotional response. The response is weaker to less urgent development aid;
- ◆ development aid usually receives less media coverage than humanitarian causes. One exception was the coverage of the earthquake in Haiti, insofar as several media sources began reporting on the challenges of long-term development facing the country as soon as the disaster occurred.

Still, the growth curve of development aid is healthy. Between 2006 and 2007, NGOs in international solidarity experienced an average 15 percent increase in new donors, and the average donation rose 4 percent. This trend is especially significant, given that legal and tax instruments, which are common to all types of causes, do not provide particular incentives for donations to development aid.

³⁰ TNS Sofres-Comité de la Charte, *Baromètre de la Confiance*, September, 2008.

³¹ AFD-IFOP poll in late June, 2007. Source: *Mémorandum France December, 2007*.

³² HSBC France with Ipsos, *Quel Est Notre Regard sur la Philanthropie*, April 2, 2008.

³³ Alain Mergier, Director of the Wei Institute, see annex 2, 1.2.3.

2.2. The French legal and tax system is favorable overall, though within certain bounds

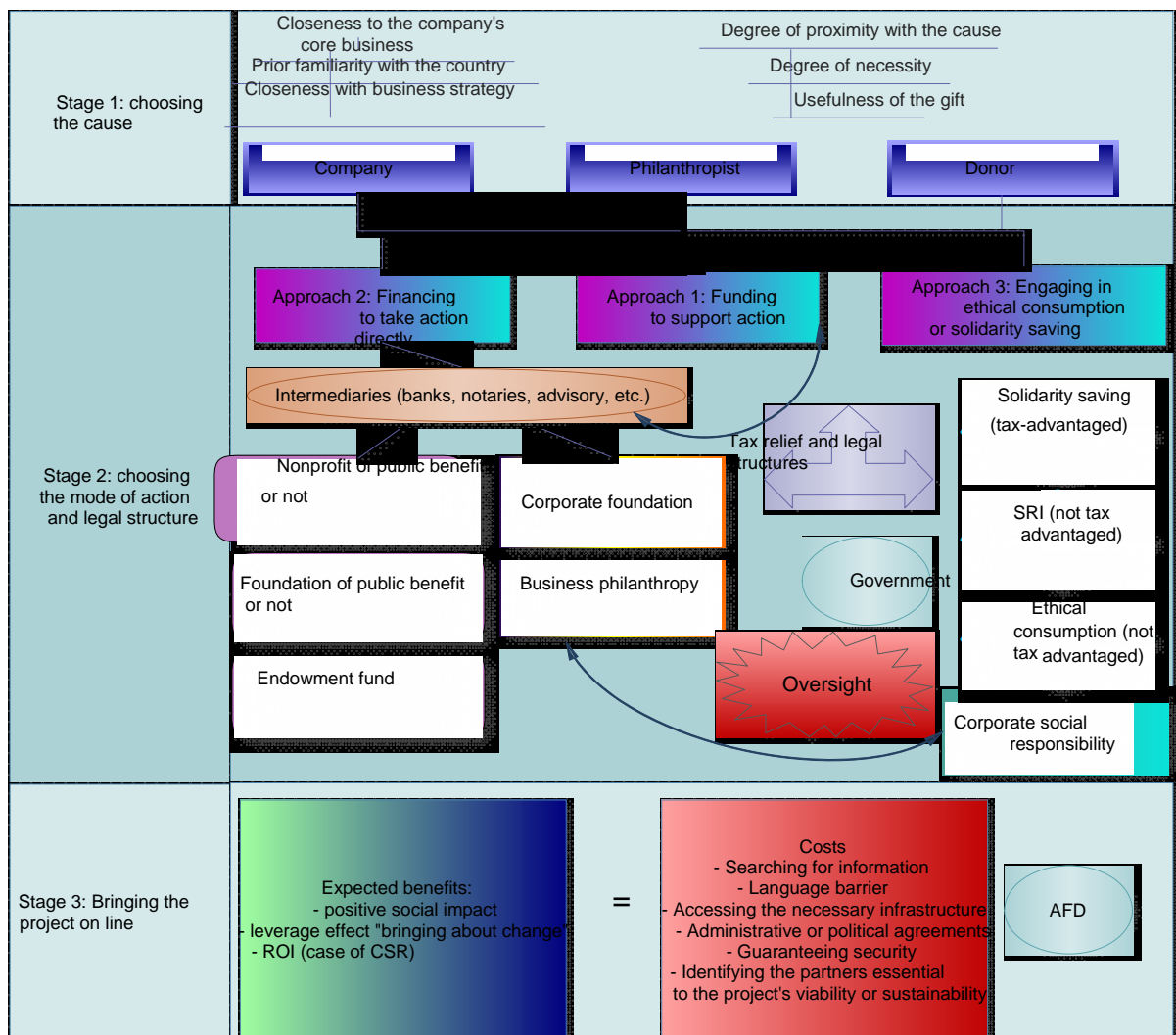
Donors can either give directly or structure their philanthropic giving, possibly with the assistance of **intermediaries** – philanthropic advisory services, banks or notaries, for example – before **structuring their approach** (e.g., creation of a nonprofit, foundation or endowment fund). The **government** supports private action, directly or indirectly, by means of legal instruments and tax incentives as well as oversight of charitable organizations. AFD, France's public agency in charge of development assistance, is another source of financing to support project deployment (see chart 4).

Stakeholders (stage 1: choosing the cause) fall into three different categories: donors, philanthropists, and companies (see 2.2.1 below).

Stage 2 (choosing the project's mode of action and legal structure) breaks down philanthropy into three main approaches:

- ◆ funding to support action (approach 1);
- ◆ financing to take action directly (approach 2);
- ◆ engaging in ethical consumption or solidarity savings action (approach 3).

Chart 4 – Stages and stakeholders in philanthropy aimed at the development aid sector



Source: Mission team.

2.2.1. Three distinct profiles: individual donor, large philanthropist and company

2.2.1.1. Individual donors need information more than advice

The average "donor" gives €65 and needs advice and information primarily to choose a cause, select a nonprofit organization and find out about the tax advantages on donations and bequests.

Television broadcasting is a media that reaches a large enough audience to raise donor awareness, whatever their motives: those "**afflicted**" by life, sensitive to emotional appeals and more responsive to short-term humanitarian causes; "**activists**" concerned with sharing wealth; "**sheltered**" givers conscious of living a privileged existence; and "**generous**"³⁴ givers with a sense of social responsibility (see annex 2, 2.1.1.1, Table 1).

2.2.1.2. Large philanthropists develop more structured projects, sometimes at the borderline of the for-profit economy

The "large philanthropist" generally earmarks roughly 10 percent of income³⁵ for philanthropy and implements a structured philanthropic arrangement. He or she needs advice and information not just on donations but on the relevant legal instruments and the partners needed to build the project.

Large philanthropists may have varied and even coexisting motives, ranging from private wishes, moral duty or family legacy to venture philanthropy and the application of entrepreneurial methods for philanthropic ends (see annex 2, 2.1.1.3). France has a handful of examples of venture philanthropy, among them the *Phitrust Active Investors* investment fund or the microfinance website *Babyloan*. Yet these approaches are still quite basic and come up against the relatively strict dividing line between not-for-profit organizations, which benefit from by no means insignificant tax advantages, and for-profit organizations, which fall under the ordinary system of corporate law.

Two factors may explain the lack of large French or European philanthropists active and visible in international solidarity. European philanthropists differ from their American counterparts in their much stronger desire for anonymity, partly as a result of the climate of mistrust surrounding their action. In fact, 77 percent of Europeans polled view the large philanthropists' generosity as "above all a communications operation aimed at improving their image"³⁶, even when their approach is recognized as useful. European philanthropists manifest their independence by preferring individual action rather than in networks, even if that means operating on a smaller scale.

2.2.1.3. French companies have a complex positioning in relation to the general interest

The mistrust surrounding major philanthropists applies to companies as well, whose general interest role is not as widely recognized as in the United Kingdom. In the public eye, business philanthropy endeavors often appear suspicious, unlike the CSR approach, which is perceived more favorably because companies more openly assume their economic objectives in this case.

³⁴ This typology was drawn up by SORGEM for the Observatoire de la Générosité et du Mécénat. *Motivations et Valeurs Associées au Don*, 2001

³⁵ *World Wealth Report*, 2007.

³⁶ IPSOS-HSBC France survey dated April 2, 2008.

2.2.2. Three different approaches to donation: funding to support action, financing to take action directly, and engaging in the socially responsible or solidarity economy

2.2.2.1. Funding to support action, an option eligible to tax relief and legitimized by oversight

2.2.2.1.1. A policy of tax incentives that has had little impact on fundraising and implies limits for development aid

David Roodman and Scott Standley³⁷ developed an index of the overall incentive for private charity, which combines a price effect (tax incentives affecting the cost of giving) and an income effect (level of the tax burden). The survey of 21 OECD countries was based on the tax systems in force in 2005³⁸.

It found that France had the largest tax incentive in terms of price effect and ranked fifth according to the combined price and income effects index. The survey also established a correlation between the level of private giving as a percentage of GDP and the country's ranking in the tax incentive index.

Box 1 – French tax incentives

In France, the tax incentives available to donors are founded on five main instruments³⁹:

- ◆ **reduction on income tax** (Art. 200 of the General Tax Code (CGI)) equal to **66% of the value of a donation, capped at 20% of annual taxable income**. The 66% rate is raised to **75%** for donations made to nonprofit organizations that supply free meals to needy persons, help facilitate their accommodation or, as their principal activity, supply free care (pursuant to Article 261-4-1) to needy persons. The cap on the tax reduction was €513 for income earned in 2009. Donations to general interest causes or bodies, public benefit foundations or organizations and corporate foundations are eligible for tax relief.
- ◆ **reduction on wealth tax** (Art. 885-0-V-bis-A, CGI) equal to **75% of the value of a donation, capped at €50,000 per year**
- ◆ **reduction on corporate income tax** (Art 238-bis, CGI) equal to 60% of the value of a donation, capped at 5% of before-tax revenues (Individual companies can also opt for the reduction on income tax.)
- ◆ **a value-added tax (VAT) exemption/deductibility or dispensation from regularization for companies** (Art. 257-8-1-a, Art. 271, and Art. 206-IV-2-3 of annex II, CGI)
- ◆ **an exemption from transfer (Art. 795, CGI) and estate (Art. 788 III, CGI) taxes**

The same system applies across all philanthropy sectors and as a general rule gives all causes undifferentiated treatment (aside from the 66-75% rate differential for income tax). The tax advantages are nonetheless differentiated depending on the financial capacity of the recipient structure. Public benefit organizations and foundations alone are eligible for the transfer tax exemption.

³⁷ Center for Global Development, *Tax policies to promote private charitable giving in DAC countries*, January, 2006.

³⁸ In France, 60% income tax reduction.

³⁹ For a detailed summary of the applicable tax provisions, see appendix I of annex 2- Table 13.

A Cerphi survey on French private charitable giving (November, 2006) compares trends in the overall amount of income tax relief⁴⁰ and in the remaining amount borne by donors. The government's contribution increased 85 percent, while that of donors rose only 15 percent. This leads to two conclusions:

- ◆ **The increased tax reductions had a positive effect on the resources of recipient nonprofits and foundations.** Tax deductions magnify the donation and an "open-ended entitlement" budget subsidy, potentially to the benefit of underperforming public-interest entities.
- ◆ **The increased tax relief had no more than a very marginal effect in encouraging new donors or increasing the average donation,** a finding confirmed in a study by Camille Landais and Gabrielle Fack⁴¹. Nevertheless, the giving decisions of high-income individuals are affected by tax reductions, in correlation with the amount of the donations.

Taking a closer look at development aid, four types of difficulties are commonly mentioned on the subject of the tax system:

- ◆ A general barrier: donors lack adequate knowledge about applicable rules.
- ◆ The concept of development aid is not explicitly addressed in tax documents.
- ◆ Tax advantages are still restricted to non-profit structures and exclude profit-making structures having a philanthropic purpose, of the venture philanthropy type.
- ◆ Although tax territoriality rules serve a public purpose, they can also complicate work with NGOs in host countries. For a donation to qualify for a tax reduction, the recipient NGO has to manage the program from France, finance actions undertaken directly and be able to provide proof of expenses.

Some companies thus prefer taking development aid action under their CSR strategy, without any tax relief, for two reasons: they are not sure to actually get the tax relief; and if they did, it would prevent them from working with local NGOs, which they consider essential in ensuring the project's effectiveness.

In fact, the partners of companies are mostly NGOs in host countries, which may be why there are so few large corporate foundations engaged in international solidarity. AREVA, for example, developed most of its international business philanthropy as part of its CSR strategy, focusing its foundation on actions in France.

⁴⁰ Increased 26% for standard assistance and 35% for assistance to needy people since 1996.

⁴¹ C. Landais, G. Fack, *Are Tax Incentives For Charitable Giving Efficient? Evidence from France*, November, 2009.

2.2.2.1.2. Numerous controls but with little visibility

Non-donors cite as the leading cause of their reluctance a fear that donations will not be put to good use and indeed, calls to step up oversight are frequent. In reality, though, fundraising organizations are already subject to oversight, but the controls are not necessarily well known. Before devising new procedures, existing controls should be strengthened and publicized more widely. On their establishment, nonprofits and foundations are subject to Interior Ministry approval and/or supervision of respect for public order, in particular to qualify for public benefit status⁴². Such entities may also be subject to oversight by various public bodies⁴³ on the basis of their taxpayer or employer status or for scrutiny of public funds received, for example development aid grants: these controls were deemed perfectible before the transfer of aid grants from the Foreign Affairs Ministry to AFD⁴⁴. Finally, the Government Audit Office has overall responsibility for verifying the consistency of the fundraising purpose with the use of donations by fundraising entities, alongside the General Inspectorate for Social Affairs and the General Inspectorate for Administration of National Education and Research, in their respective spheres of responsibility.

Nonprofits, foundations and endowment funds may also be subject to a financial audit obligation⁴⁵. Philanthropy stakeholders themselves, who realize the importance of transparency in fundraising, were favorable to going beyond the legal obligations:

- ◆ The Comité de la Charte, an organization set up by the fundraising sector, certifies the transparency and accountability of its members' management of donations by issuing a label.
- ◆ Certification by independent bodies (AFAQ/AFNOR and Bureau VERITAS subsidiary BVQI) is also growing.
- ◆ IDEAS is an association which provides nonprofits and foundations with assistance in self-assessment and improving their performance.

The drawback of the current situation is that supervised entities have to bear the cost of controls without being able to count on the expected spinoff for their image, since donors have little understanding or perception of those controls. If the results were given greater visibility, this would likely encourage more entities to engage in a certification approach.

⁴² The Interior Ministry's bureau of associations and foundations is in charge of applications for public benefit status. The Prefect has general oversight powers, receives the annual report on corporate foundations and reviews the legality of endowment fund operation.

⁴³ Public Finances General Directorate, national health contribution agency (URSSAF), central and regional Government Audit Offices (*Cour des Comptes* and *chambres régionales des comptes*), General Inspectorate of Finance if the organization receives public funds, French Development Agency if the organization receives AFD grants.

⁴⁴ See inquiry report by Michel Charasse on the Government Audit Office report concerning funds awarded to French non-governmental organizations by the Ministry of Foreign Affairs (2005).

⁴⁵ Public benefit foundations, corporate foundations, community foundations (see annex 2, 2.2.2.3.4), nonprofits receiving more than €153,000 in donations, together with endowment funds with resources exceeding €10,000.

2.2.2.2. Financing to take action directly: a comprehensive range of legal instruments but too little access to advice and too much complexity in project deployment for international solidarity

2.2.2.2.1. An array of legal vehicles at the stakeholders' disposal

An increasingly broad array of legal structures is available for the implementation of philanthropic projects. Since the endowment fund status was created in 2008, **stakeholders in private philanthropy have a choice of six different statuses⁴⁶ to structure their development aid approach: nonprofit organization, of public benefit or not, public benefit foundation, sheltered foundation, corporate foundation and endowment fund.** The relatively diverse range of vehicles enables stakeholders to find the right fit depending on their intentions and motives:

- ◆ **flexibility.** To set up a nonprofit or an endowment fund, all that is required is a declaration filed at the Prefecture (territorial subdivision of the central government).
- ◆ **type of resources managed** Public benefit foundations can accept investment property and donations eligible for the 75 percent wealth tax reduction and can hold shares in companies. Endowment funds can also manage buildings.
- ◆ **amount and depreciation/amortization period of endowments** Public benefit foundations and sheltered foundations can amortize endowments over ten years (except for turnover foundations). As for corporate foundations and endowment funds, they are not subject to a minimum capital requirement, and the endowment is alienable.

With the exception of corporate foundations, these various legal statuses are available to all actors, mutually compatible in most cases, and suitable for sophisticated philanthropic strategies (cf. annex 2, 2.2.2). They are considered sufficiently flexible to meet actors' financial and operating requirements: fundraising for redistribution of funds to a project manager, project development and deployment, or a mixed approach.

2.2.2.2.2. Philanthropists have a greater need for advisory services owing to inadequate structuring of the intermediaries market

A Bertelsmann Foundation survey on major philanthropists in Europe⁴⁷ found that 90 percent of high-income clients recognized the need for legal, financial, and operational advisory services and felt there was a shortage of access to such services.

Philanthropy advisory services are currently provided mainly by notaries, lawyers, wealth management departments in banks, and auditing firms. These services often specialize in either legal, tax or financial aspects but rarely combine the three.

The Fondation de France, the Centre Français des Fondations or the Institut de France are relatively unequipped to meet the new philanthropists' demand that entrepreneurial methods be applied. Virtually no strategic advice is available covering all aspects and linking them to the positioning of a given philanthropic project, in part because professionals lack specific training.

As regards the structuring issue, development aid is no different from other causes in either the vehicles or the approach adopted. The distinguishing feature, which can constitute a genuine obstacle, concerns the operational deployment of projects on the ground.

⁴⁶ For a detailed summary of the characteristics of each structure see annex 2, appendix I, Table 15.

⁴⁷ *The role of wealth advisors in offering philanthropy services to high-net-worth clients*, New Philanthropy Capital, Wise Partnership and BertelsmannStiftung, October, 2008.

2.2.2.2.3. Private philanthropy for development aid is characterized by the greater complexity of project deployment on the ground

In international solidarity, it is hard to strike a balance between the time or money a philanthropist or company is ready to invest and the expected social return (stage 3 in chart 4).

Before deploying development aid projects, it is necessary to know the target area or community well, solve any administrative or political difficulties, and secure the partnerships essential to the project's short or long-term viability.

Given those difficulties, 98 percent of French foundations, which are undercapitalized, act as funders. Companies operating internationally seek to limit the difficulties involved by concentrating their interventions on activities relating to their core business or on countries where they are already established, and sometimes both.

2.2.2.2.4. Inadequate development of partnerships, often the key to overcoming operational difficulties in projects

The international solidarity sector in France is fragmented, and actors often lack the awareness or will to join forces. This can put them at a disadvantage in development projects calling for expertise in several different areas. When actors do group together, they tend to be similar in nature, as for example: Coordination Sud for NGOs in international solidarity; ADMICAL for business philanthropy; the French business confederation MEDEF or IMS-Entreprendre pour la Cité in CSR; or the Centre Français des Fondations for foundations in general.

AFD and diplomatic or economic services abroad can provide expertise useful in local project deployment, but actors do not turn to them systematically. In the final analysis, there is a shortage of structured, multi-actor partnerships bringing together NGOs, companies, foundations and the government. Yet by combining the partners' respective strengths in development work, the partnership as a whole could capitalize on the synergy of approaches. The company would contribute a new philanthropic model, and philanthropy in turn would integrate the entrepreneurial model into a more solidarity-based economy.

2.2.2.3. Engaging in an ethical or solidarity-based economic approach

The third approach capable of impacting development involves engaging in a market-based approach that is socially responsible, driven by a sense of solidarity, or both.

2.2.2.3.1. CSR offers international companies a more flexible mode of action in development aid

Companies engage in CSR as a direct offshoot of their corporate strategy (see annex 2, 2.2.3.1). In other words, such a voluntary approach, albeit at the borderline of philanthropy, can have an impact in the field of development aid.

Different reasons exist for engaging in a CSR approach: economic reasons such as a stronger territorial footprint, security of raw materials supply or of an outsourcing chain, winning new markets through the development of products targeting local needs, for example, or labor productivity; the need to build cohesion within the company; or the creation of a socially and environmentally responsible image.

The dividing line between CSR and business philanthropy is somewhat blurred: if a company sets up a health clinic in a developing country for its local employees, this will be considered CSR; if, on the other hand, people outside the company are allowed access to that clinic, the approach is philanthropic. The company itself, however, will not necessarily draw a distinction between the CSR action and the business philanthropy side of the operation.

Because CSR integrates social concerns into the company's business approach, it is a source of added value that supplements, but does not replace, other purely philanthropic interventions:

- ◆ In its most complete version, CSR can yield solutions that are economically viable and thus sustainable even after aid ceases. For example, Starbucks Coffee partnered with the U.S. Global Development Alliance (see below), securing its coffee supply while at the same time improving the producers' situation and promoting better forest conservation.
- ◆ However, CSR also has certain limits: companies are not generally in the business of developing on their own an action transposable on a large scale, unless that kind of expansion is part of their business model or the CSR action is taken on board spontaneously by their competitors. Whatever the case, companies most commonly keep their CSR action within the bounds of their economic base and their strategy.

The potential for generating reciprocal leverage effects between the corporate world and official development assistance is more fully recognized in Germany (DeveloPPP mechanism, see above, 1.3.2) and in the United States via the Global Development Alliance⁴⁸. On the one hand, official development assistance can help spread a positive CSR initiative launched by a company throughout an entire sector. On the other, the impact of official development assistance can be amplified by the commercial tools brought into play by the company (e.g., campaign to fight trafficking and forced child labor funded by USAID, with broadcasting provided free-of-charge by MTV).

2.2.2.3.2. Although growing, the offer of ethical products in the field of international solidarity is not widely known

Ethical products are another example of a market-based approach at the borderline of philanthropy (see annex 2, 2.2.3.2.). The criteria underpinning socially responsible investing (SRI) are not solely financial but also social or environmental. Solidarity savings products are designed either for investment in a portfolio of 5 to 10 percent unlisted "solidarity-oriented" companies that partake in socially useful activities or for donation of a portion of the interest income to philanthropic structures.

The offering of SRI products in the international solidarity sector is very limited, with only 7 funds out of 250 proposing them (see annex 1), and no tax advantage. **Nearly sixty solidarity savings products are available** commercially, especially in fair trade, microcredit, and humanitarian causes. Of those products, 10 percent of the market relates to international solidarity, of which 8 percent concerns microfinance⁴⁹ (see annex 2, Table 5). Solidarity saving that has the FINANSOL label is eligible for income or wealth tax reductions (see annex 2, 2.2.3.2.2).

⁴⁸ Andrew S. Natsios, *Public Private Alliances Transform Aid*, Stanford Social Innovation Review, Fall 2009 and Dan Runde, *Making a World of Difference, Lessons Learned from USAID's Global Development Alliance*, OECD Forum Note, <http://www.oecd.org/dataoecd/36/38/36413667.pdf>.

⁴⁹ Source: FINANSOL, *Baromètre des Finances Solidaires 2009*.

This range of products is not widely available and unfamiliar to many account managers. A mere 7 percent of French investors choose solidarity finance, and in 2009, only 40 percent had even heard about solidarity finance (compared with 13 percent in 2001⁵⁰).

Funding to support action, financing to take action directly, or engaging in the ethical or solidarity economy – such are three approaches to philanthropy that can be combined and built back-to-back. The main problems encountered have less to do with the tax and legal vehicles put in place by the government than with the dissemination and accessibility of information.

3. The government's strategic positioning still leaves little room for the growing role of private actors

While private aid is not destined to replace official development assistance (3.1), public policy positioning at national, European, and international levels continues to underestimate the potential for complementarity with private actors, despite the existence of innovative international partnerships (3.2).

3.1. The public stakeholders' strategic positioning still leaves little room for the role of private actors

3.1.1. French official development assistance is losing momentum, and even if the DAC counted tax incentives as public aid, that trend is unlikely to change

The ratio of official development assistance to gross national income has declined sharply in France since the early 1960s, falling to 0.39 percent of GDP in 2009 from 0.47 percent in 2006. France's political commitment to a 0.7 percent target by 2015 will be difficult to meet unless it budgets an additional €8.5bn⁵¹.

A solution presented for improving France's performance without additional budgetary effort has been that the DAC count tax incentives to mobilize private resources in its calculations of ODA. Although Germany, Italy and several other countries might defend such an option, a cost-benefit analysis of the initiative reveals several drawbacks:

- ◆ From a technical standpoint, were the various eligible tax measures⁵² counted, a portion of the aid would have to be neutralized to factor in the taxes of all kinds that NGOs pay.
- ◆ From a political standpoint, a consensus on changing the rules for calculating aid to factor in tax incentives seems unlikely at a time when countries like Spain or Belgium are making substantial budgetary efforts to achieve their objectives. Such a proposal would also damage the credibility of a French initiative at the OECD on the promotion of private aid.

⁵⁰ Source: FINANSOL, *Baromètre des finances solidaires 2009*.

⁵¹ General Review of Public Policies on development aid

⁵² Tax credits on donations and business philanthropy, tax breaks for NGOs based on their activities, sales tax reductions applicable to goods and services intended as aid; preferential tariffs on imports from ODA recipient countries.

- ◆ Finally, from a financial standpoint, limited stakes are involved: declaring tax incentives, evaluated by the mission team at roughly €265.5m, would raise the ODA/GNI ratio to 0.40 percent from 0.39 percent (see annex 3, 1.1.3).

3.1.2. A better positioning for public aid

France's grant awards to NGOs are considered too low by the vast majority of donees. Although French public aid passing through NGOs has risen steadily since 2005, it still stands at only €35.31m (see annex 3, 1.2.1). The government has pledged a larger share to NGOs, through reinforced partnerships with them (strategic framework agreements) and cofinancing of projects headed by AFD, along with financing from other sources⁵³.

As public aid shrinks while private aid continues to grow fast, one might conclude that there is a kind of substitution, with the second picking up where the first leaves off. Yet these two types of aid, albeit complementary, cannot replace each other:

- ◆ Financially, private aid is still small compared to public aid.
- ◆ Public aid and private aid have different positionings and tools: public aid, more global and diversified, provides governments with support in their governance and institutional capacity building efforts. Private aid, in contrast, goes towards private projects rather than entire programs and focuses on short cycles and actions targeted on local communities.
- ◆ The motivations, too, are different: public aid is impacted by political factors and governed by thematically and geographically targeted diplomatic strategy. Private aid is positioned instead by its capacity to create social ties, contribute added value, and federate around specific causes or, for companies, around an economic strategy. Whatever the case, NGOs, companies, and foundations intend to define their own criteria for intervention, independently of the government.

In short, the best definition of effective synergy between public aid and private aid lies in their financial or operational complementarity, with the government assuming a particular role in coordinating action.

3.2. National, European and international public policies still pay too little attention to the needs of private actors

The influx of many new stakeholders, especially from the private sector, has tended to diversify approaches but also compound complexity. In response to these trends, the government overhauled its governance and determined a new strategy. However, despite these reforms, public policies still do not take private actors sufficiently into account, particularly at European and international levels, even though innovative multi-actor partnerships do now exist on an international scale.

The growing weight and increasing diversity of private actors led the Foreign Affairs Ministry to envisage a "global diplomacy." To that end, a mission on relations with civil society was set up in the newly formed Globalization General Directorate at the Foreign Affairs Ministry, entrusted with assessing the Ministry's relations with private stakeholders (NGOs, foundations, and companies).

⁵³ Social Development Fund, co-development support by the Ministry of Immigration, Integration, National Identity and Solidarity-based Development, or support for decentralized cooperation.

Another step in that direction was to appoint an ambassador for corporate social responsibility. Similarly, a strategic council for nongovernmental cooperation, chaired by the Minister of Foreign Affairs, was put in place to involve private actors more closely in defining policy (see annex 3, 1.3.1).

The same proliferation of actors in private philanthropy and fragmentation of budget resources mobilized on the ground can be found elsewhere in Europe, notably for foundations⁵⁴. At the same time, Europe is the world's largest donor: the European system accounts for 60 percent of total development aid effort worldwide, contributing €46bn in 2007. This indicates that Europe would be the relevant scale on which to help structure a high-leverage sector of private actors in development aid.

However, the lack of strategy coordination in Community and bilateral aid and the institutional complexity of aid mechanisms (five relevant bodies or directorates depending on the type of private actor or theme, without strategy coordination) make for a less intelligible European strategy towards private actors. As a general rule, the approach, particularly with regard to financial support, draws a clear-cut distinction between for-profit and not-for-profit, leaving little room, for example, for new philanthropic models (see annex 3, 1.3.2).

Nevertheless, international organizations increasingly turn to private actors, viewed as innovative partners or complementary to public aid, even though the volume of funds invested remains marginal relative to those institutions' total commitments. The World Bank taps the private foundations' capacity for innovation and risk-taking in its partnerships. The United Nations Development Program (UNDP) has integrated the corporate social responsibility approach endorsed by the UN Global Compact into its development model and explores opportunities in the markets of poorer countries. Yet once again, within each of these institutions, strategies are still defined by the specific typology of each stakeholder (NGO, company, foundation, etc.). Their complementarity is not necessarily envisaged from a transversal perspective (see annex 3, 1.3.3).

This complementarity is more widely reflected in the innovative financing mechanisms supported by France. UNITAID, The Millennium Foundation or GAVI capitalize on the complementarity of financial, technical or material added value that international organizations, governments, foundations, NGOs, and companies contribute to the fight against malaria or AIDS (see annex 3, 1.3.4).

4. The government could do more to promote reciprocal leverage effects between public and private interventions in development aid

To succeed, government support for private philanthropy has to first respond to the stakeholders' immediate needs. And above all what they need today is a stabilized legal and tax system, together with access to information and advisory services (4.1). Experimentation with partnerships and better synergies with private actors, at both national and European levels, is also worth exploring over the medium and long term (4.2). Last, the government has a complementary role to play in facilitating, supporting, or communicating on actions led by private actors that could expand private philanthropy (4.3).

⁵⁴ See in particular the impact assessment of the proposed European Foundation statute, drawn up by the European Foundation Center for the European Commission.

4.1. Over the short term, stabilization of legal and tax mechanisms and access to information to facilitate private initiatives

Stakeholders do not yet always fully understand and command the recently revised legal and tax mechanisms applicable to philanthropy as a whole. The foremost need is thus for stabilization (4.1.1), explanation and, more specifically with regard to development aid, easier access to information (4.1.2).

4.1.1. Marginal adjustment of legal and tax instruments

4.1.1.1. Over the short term, a commitment to stabilize legal and tax provisions and clarify the territoriality rules

What actors demand first and foremost today is that the tax incentives and legal instruments they need to take on board be stabilized.

Proposal #1: Stabilize the tax incentives and legal instruments and then in 2012, evaluate the endowment fund system (see annex 2, proposals 1 and 2).

The territoriality rules were revised recently, following the Persche decision which extended eligibility for tax relief to donations to public-interest organizations established in the European Union.

Proposal #2: Take the opportunity of the new tax directive stemming from the Persche decision, expected by June 30, 2010, to clarify the territoriality rules applying to donations directed to international solidarity (see annex 2, proposal 3).

4.1.1.2. Over the medium and long term, the creation of specific tax instruments for development aid is not advisable

Specific tax relief for development aid does not seem advisable. What many philanthropy stakeholders would actually like is simplified rates. Moreover, there is no tax definition for development aid, which is also not always easy to distinguish from national solidarity causes like Secours Catholique. Finally, the resulting tax effort could not be counted by the OECD DAC as development aid without approval of a change in the current accounting rules for ODA (see above 3.1).

Switching to the tax credit or to a system like the British gift aid scheme would not be an ideal solution (see annex 2, 3.1.3.2). However, it would be worth re-examining the tax system's consistency and effectiveness (rates, entities eligible for reductions) in light of clarified objectives: support for the sector or incentives to increase individual giving. Such a review should also consider the cost and optimum level of tax incentives⁵⁵, the budget subsidies to the sector from other sources, and the medium and long-term effects on the sector.

The foreseen extension of territoriality based on Community law could be pursued in the framework of the tax authorities' accreditation procedure of philanthropic organizations set up following the Persche decision.

⁵⁵ See Emmanuel Saez, *The optimal treatment of tax expenditures*, Journal of Public Economics 88 (2004) 2657-2684 on the optimum tax incentive level.

Finally, the emergence of "philanthrocapitalism" and venture philanthropy in France raises the question of whether to adapt the concept of public interest to the changing philanthropic landscape and whether the government can support those changes without distorting competition. Adjusting tax rules could pose difficulties, but the feasibility should be studied of granting public benefit status, with its attendant advantages, or of a preferential corporate/income tax regime to support philanthropy-oriented companies until they start making a profit.

Proposal #3: Over the medium term (starting in 2012), examine means for rendering tax rules more effective (see annex 2, proposals 4 and 5).

4.1.2. Access to more transversal information and advice on philanthropy and development aid

4.1.2.1. Improving general information on philanthropy

The commitment to stabilize the legal and tax systems should be accompanied by better access to information and advisory services.

Proposal #4: Create a cross-sector information platform on charitable giving (see annex 2, proposal 6).

This cross-sector information platform would provide access at a single source to all currently available information, by basic stakeholder profile:

- ◆ Specific guides for each approach – donor, philanthropist, CSR, etc. – providing information on tax advantages and instruments. In addition, volunteer companies might draw up a guide to good CSR practices.
- ◆ Information and links to specialized actors.
- ◆ Information on existing oversight controls.

The information platform would foster collaboration between public and private stakeholders in the form of public backing for private initiatives or of public interest groups (GIPs). Advisory services, in particular for large philanthropists, could also be considered (see annex 2, 3.2.1, proposal 3).

4.1.2.2. Providing access to a specific development aid information portal

The aim here would be to create an information portal through which all stakeholders, be they philanthropists, NGOs, or companies, can find the operational information they need for the practical deployment of their projects on the ground. BENGGO, a publicly-funded advisory center in Germany, plays this role for actors in development aid and could serve as a model (see annex 4, Germany).

Proposal #5: Mobilize public-sector actors on the ground to create an information and advisory portal on development aid (see annex 2, proposals 10 and 11), modeled among others on the German BENGGO.

The site's purpose would be to give access to general information on actors in development aid in France, to a list of actions taken by nonprofits and companies (by theme and country) and of local partners identified, notably through AFD and diplomatic networks, and to an online partnership marketplace.

Its infrastructure could be based on the web portal for information on development driven by AFD and other organizations (<http://www.monde.org>) and include the lists of actors and ongoing initiatives drawn up by IMS-Entreprendre pour la Cité (companies), Coordination Sud or Ritimo (NGOs), the Centre Français des Fondations (foundations), and other portals.

Private actors should be invited to take part in defining the form of this partnership (use of the AFD portal or development of a legally distinct structure), the information compiled and accountability for its accuracy.

4.2. Over the medium and long term, government policy and official development assistance should do more to foster synergies with private actors and move towards a European strategy

The government's positioning should be to support and guide private actors by seeking to better understand and promote private development aid (4.2.1), to reorient its support for private aid, emphasizing the needs put forward by stakeholders and multi-actor partnerships (4.2.2), and to back Europe-wide structuring of the sector (4.2.3).

4.2.1. Improved monitoring and public policy support for private development aid

The first stage in recognizing the weight of private giving lies in a better understanding of the sector and comprehensive reporting of flows to the DAC.

4.2.1.1. Improving knowledge of private development aid

Monitoring of the sector involves two stages: first, more in-depth knowledge of the nonprofit world and, second, more effective tracking of donations and corporate social responsibility.

Cross-comparisons of the nomenclatures of the RNA and SIREN registries could be used to check whether a nonprofit is still an active operation (a taxpaying employer) or to assess the economic contribution of the nonprofit sector.

Such a database could be enriched periodically with input from surveys carried out directly by INSEE or contracted out with prior French Data Protection Authority approval, tax data (taxpayer liability of nonprofits with regard to VAT, payroll, and other taxes), or other data already collected by INSEE.

Once the SIREN and RNA registries have been cross-checked, the nomenclatures would require reworking to better identify development aid data.

Proposal #6: Build up a database from common data available in the SIREN and RNA registries, crosscheck the data, and facilitate their use for statistical purposes in order to evaluate the size and economic contribution of the nonprofit sector.

Set up a working group to improve the RNA nomenclature to better identify development aid data⁵⁶ (see annex 3, proposals 1 and 2).

The introduction of a legal and/or tax instrument on donations solely for statistical purposes does not seem appropriate⁵⁷, and improvement of tax traceability appears difficult (see annex 1, box 5).

⁵⁶ Source: Interior Ministry. Waldec-SQL query production

⁵⁷ In Canada for instance, the Canadian statistics classification includes the notion of "charities" and is based on the principle of registration with the Revenue Agency (source: DGTPE comparative survey).

There are, however, ways to more accurately measure the volume of donations to fundraising organizations. Charities raising funds in excess of €153,000 have a legal obligation to disclose a use-of-resources statement. The data generated could be used to give a relatively reliable estimate of the private donations, highly concentrated, received by nonprofit organizations. Still, this estimate would not include foundations, which are not subject to the same reporting requirements.

The system for monitoring private donations can also benefit from the methodological standards developed by the OECD DAC. The Committee is set to begin work on statistics for non-ODA flows (commercial loans, direct foreign investment, and private gifts, as well as migrant remittances). The aim is to share good practices in measuring private donations and to provide DAC countries with a clearer methodological framework. Its work will draw on research from sources such as the Hudson Institute, which evaluates categories of donations (e.g. volunteering) not generally measured in DAC statistics (see annex 1).

Proposal #7: Set up an information system to systematically make use of data from either INSEE or Interior Ministry statistics on the use-of-resources statements of nonprofit organizations raising funds in excess of €153,000 and, concomitantly, develop a common nomenclature to better identify development aid data.

Devise a stabilized methodology, drawing on the DAC's work, to evaluate the annual contribution of private development aid and issue a call for tender to contract an actor in the sector for evaluation of the contribution of private philanthropy (see annex 3, proposals 3 and 4).

Too little is known today about the different forms of corporate social responsibility and their impact. Along with their financial statements, companies do of course have to disclose information on the environmental and social impacts of their activities in their annual management reports⁵⁸. But companies are free to decide on the extent of detail and completeness of the information they provide. IMS-Entreprendre pour la Cité considers that the failure to set minimum standards in that regard impairs the reliability and credibility of information provided.

Proposal #8: Build and test a minimum standard reporting model for corporate social responsibility with volunteer companies. IMS, the Corporate Social Responsibility Observatory and the MEDEF could be involved in this undertaking. Conceived of as a voluntary commitment by companies, this work could result in an amendment of the NRE Act aimed at setting a minimum standard, assuming such a demand emerges (see annex 3, proposal 5).

4.2.1.2. Improving OECD accounting of private development aid

The approach to development aid adopted by the OECD DAC still centers primarily on public aid and thus fails to adequately reflect the growing importance of private flows to developing countries, especially those intended for aid. Moreover, this approach does not consider the real effect of the funds invested. A more relevant approach, which was proposed in the RGPP on development aid, would be to supplement the indicator of resources (percent of gross national income (GNI)) with an indicator of performance based on appropriate indicators by specific aid objective (e.g., equitable and sustainable growth, human development, democratic governance, or global public goods). A performance indicator could be useful in periodic revisions of aid objectives according to observed results. This proposal was accepted by the Council for the Modernization of Public Policies.

⁵⁸ New Economic Measures Act (NRE) 2001-420 of May 15, 2001

Meanwhile, as the contribution of private aid in total development aid continues to grow, a whole country approach appears increasingly relevant. In such an approach, a quantified ODA target would be set, factoring in all contributions, both public and private, from a given country, in addition to the existing quantitative target set for public development aid. This initiative could gain the support of Germany, Italy, which originated the idea, the United States, and probably the United Kingdom.

Proposal #9: Submit a proposal to the OECD to supplement the indicator of resources (% of GNI) with a performance indicator and/or a proposal to set a policy target based on overall aid contributions, both public and private (see annex 3, proposal 6).

4.2.2. Experimentation in repositioning government support for private actors

According to most of the stakeholders interviewed, the government has a decisive role to play in supporting private initiatives, whether in its capacity as expert, financier, or catalyst of multi-actor partnerships.

4.2.2.1. Over the short term, organizing a symposium with the sector to develop a new partnership

A symposium on "The role of the State and the European Union in supporting private actors in development aid" could be organized by the relevant Ministries, with participation from across the sector, to signal the government's commitment to a partnership effort, including work on its own positioning, and to debate freely and openly on this report's proposals.

The opinions and needs of the stakeholders, especially major philanthropists, could be polled in preparation for the meeting. A questionnaire was sent to BNP Paribas for distribution at the meeting of its philanthropy circle in June 2010. If the responses received show that the questionnaire identifies legitimate expectations, the Minister could set up appointments specifically to examine possible solutions for any concerns raised.

A similar initiative could be envisaged for major French companies, with input from IMS-Entreprendre pour la Cité or the MEDEF, at once to appraise their expectations with regard to the proposals (multi-actor partnerships, information platforms, etc.) and to mobilize their efforts in specific areas, such as writing up a guide to good practices in CSR.

Proposal #10: Organize a symposium on "The role of the State and the European Union in supporting private actors in development aid."

Organize thematic luncheons with the Economy Minister and, first, major French companies, then philanthropists investing in a particular sector, assuming such a demand emerges (see annex 3, proposals 12 and 13).

4.2.2.2. Over the medium term, exploring a shift in government support for private actors from "the State as expert" to "the State as financier"

Various avenues could be explored and developed in partnership with stakeholders.

4.2.2.2.1. The State as expert

Following the example of USAID, the United States Agency for International Development, AFD could set up a laboratory to monitor experiments in private aid and how it is used.

Proposal #11: Increase, and then expand, AFD funding of research on private development aid (see annex 3, proposal 7), in partnership with universities, along the lines of its recent initiatives (e.g., partnering with the Hewlett Foundation or the Gates Foundation), in particular on the effectiveness of private aid.

Modeled on the widespread corporate practice of expert sponsorship, a human resources policy could be developed in the public sphere. The cornerstones would be research into the prevailing values in the administrations concerned and staff cohesion. It could draw inspiration from current policy in the hospital sector.

Proposal #12: Develop secondment of government personnel and that of government operators to NGOs (see annex 3, proposal 8).

4.2.2.2.2. The State as financier, taking into account stakeholder needs

Two solutions could be envisaged to support greater participation in funding allocation decisions, which would be made in consultation with stakeholders.

To strengthen interaction and complementarity between public and private interventions, a framework partnership agreement with the main civil society stakeholders could be built on the basis of the local actors' initiatives and needs.

Proposal #13: On the basis of initiatives and needs on the ground, with emphasis on a geographic or thematic approach, develop the government's policy of framework partnership agreements with the leading NGOs and/or grouping of smaller NGOs in France (see annex 3, proposal 9).

NGOs have experience in local needs and field deployment, companies have funds and knowledge of market mechanisms, and the government has expertise stemming from its own experience in ODA, its cross-sector approach, and its action on governance. The government could reorient its positioning in support for multi-actor partnerships to reflect the needs and proposals of local actors (NGOs, companies) emerging from meetings organized by AFD or the diplomatic network.

Proposal #14: Propose the creation of a GAVI-type fund, possibly managed by Proparco. It could promote local multi-actor partnerships through cofinancing, grouping of initiatives that share the same goals, pooling of best practices, or implementation of innovative public funding vehicles (e.g., guarantees or more sophisticated loans designed to cover specific risks⁵⁹). The fund could also take measures to support CSR (see above, proposal 1). A less ambitious alternative would be to support those multi-actor partnerships within the existing framework of AFD calls for tender, either financially or by supplying expertise (see annex 3, proposal 10).

The fund's action could include support for CSR, which does not presently receive funding in France, since the AFD's project to develop a CSR funding mechanisms through a foundation or endowment fund has not yet been finalized (see annex 2, 2.1.4.2). Germany, on the other hand, has set up a support program known as DeveloPPP, which earmarks €14m a year for CSR, out of a total budget of €50m⁶⁰.

Proposal #15: Experiment with an AFD funding mechanism designed to support companies in actions extending their CSR initiatives (see annex 1, proposal 3).

⁵⁹ Such as pre-purchasing of vaccines for rare diseases

⁶⁰ Source: GTZ

4.2.3. Support for structuring of the sector on a European scale

After approaching Germany and its other main partners, France could launch a policy initiative on development in the new European institutional landscape. As a complement to this initiative, work could resume on legal instruments conducive to the emergence of world-class private stakeholders in Europe.

Proposal #16: Launch an initiative to accelerate integration of European development aid policies, particularly to promote a more cross-sector approach to the role of private actors in development.

Introduce a French initiative to resume work on a specific legal status for European nonprofits or foundations or at least remove the barriers to consolidation in the sector (see annex 3, proposals 14 and 15).

After setting up its own information platform on international solidarity (see above, proposal 15), France could launch the idea of a European observatory on private aid. Its purpose would be to inventory initiatives led by civil society and European companies and to facilitate contacts. It could organize a Europe-wide marketplace of calls for projects among private structures.

Proposal #17: Establish a European observatory on civil society for international solidarity (see annex 3, proposal 16).

European financial support could be envisaged alongside existing modalities for aid from the Community budget, which do not currently allow this kind of support.

Proposal #18: Set up a European support mechanism for multi-actor partnerships of NGOs, companies, foundations, and States, and for CSR initiatives on a European scale (see annex 3, proposal 17), modeled on the mechanisms adopted in France (see proposals 1 and 25).

4.3. In a complementary capacity, the government could support, facilitate, or study initiatives led by private actors that better mobilize private giving

Last, the government could provide support, publicize, facilitate, or study private initiatives contributing to the growth of philanthropy:

- ◆ across the sector, better synergy between financial investment and philanthropy (4.3.1) and development of new ways of giving (4.3.2);
- ◆ more specifically targeting development aid, support for greater professionalism and transparency (4.3.3) and development of a better image of international solidarity (4.3.4).

4.3.1. Better leveraging of synergies between financial investment and philanthropy

American foundations are investing more and more assets in organizations pursuing goals identical or closely aligned with their own missions, despite the expectation of lower financial returns or greater risk. This is known as mission-related investment, which grew at an annual rate of 16.2 percent over a five-year period. In 2007, according to an FSG survey⁶¹, the 92 U.S. foundations studied invested a combined total worth \$2.3bn (€1.7bn).

⁶¹ Source: FSG, *Compounding Impact: Mission Investing by US Foundations* [http://www.fsg-impact.org/ideas/pdf/Compounding%20Impact\(5\).pdf](http://www.fsg-impact.org/ideas/pdf/Compounding%20Impact(5).pdf)

In contrast, French foundations and nonprofits invest little of their assets or excess cash flow in SRI funds or solidarity savings vehicles. This deprives them of a twofold leverage effect: by the actions they support and by the investments they finance⁶².

SRI funds generate returns that are no lower than conventional investment funds (see above, 1.1.1) and can finance the development of products specifically for poorer countries within the CSR framework⁶³. As for social funds, despite lower returns, their investments in microcredit or social enterprises are capped at 5 to 10 percent, thereby limiting investor risk exposure. Yet SRI and social funds oriented towards development aid are both still very marginal today (see above, 2.2.2.3.2).

Proposal #19: Communicate with institutional investors, nonprofits, foundations and companies on the benefits of using SRI or solidarity saving to support their actions (see annex 1, proposal 4).

Similarly, solidarity-based employee saving could be more explicitly integrated into corporate social responsibility policy. Danone set an example by creating a corporate mutual fund (FCPE), which provides the seed money for the Danone.communities fund, financing an innovative CSR initiative in Bangladesh.

Yet the full potential of such vehicles cannot be realized under current regulations on solidarity savings schemes. The Danone FCPE is not construed as a social fund in the sense of fulfilling the obligation to propose solidarity investment as an option in an employee profit-sharing plan⁶⁴. Furthermore, as a feeder fund for a Danone.communities unit trust, the FCPE cannot invest directly up to 5 to 10 percent in investment products issued by solidarity-oriented organizations (see annex 1, 2.3.2). This drawback discourages the development of similar initiatives.

Proposal #20: Explore introducing greater flexibility in the employee savings scheme regulations to allow master/feeder funds to invest directly up to 5 to 10 percent in solidarity investment products within the meaning of the regulations (see annex 1, proposal 7).

4.3.2. Promotion of new ways of giving

In the United States and Germany, two online marketplaces in development aid projects, Global Giving⁶⁵ and Better Place, enable donors to directly finance a development aid project led by a person, group of people or organization. These kinds of initiatives are growing fast because they specifically target donors – especially among the young – who care about connecting with the recipient person or community and seeing the immediate impact of a small donation.

Proposal #21: Support the creation of "Global Giving France" (see annex 2, proposal 12).

⁶² Martin, Maximilian and Wood, Arthur, *Unfreezing the Foundation Asset Landscape to Create a Liquid Capital Market* (August 1, 2008), *Points de Vue*, pp. 124-127, 2008

⁶³ Agnès Surry, *Sources et outils de financement pour les projets Base of the Pyramid dans les pays en développement*, IMS-Entreprendre pour la Cité, Paris, 2009

⁶⁴ Article 81 of Act 2008-776 of August 4, 2008 for the Modernization of the Economy

⁶⁵ <http://www.globalgiving.org/>

Global Giving offers an interesting model in several respects, because it lists projects recommended as worthy of interest by development professionals, notably established NGOs, which can also use the platform. The system for evaluating project results comprises not only Global Giving evaluators and the network of development experts mobilized during the selection process but also recipients and donors.

The government could recommend that AFD second one or two FTE (full time equivalent) employees to Global Giving for six months to a year, who could study the feasibility of developing a similar platform in France. The platform would operate separately and independently of AFD and preferably under the leadership of volunteer private actors, with public support. It would partner with the development aid portal (see proposal 15).

In addition, the government could support four innovative giving vehicles, based on disclosure or access to the relevant tax and accounting information.

The option of rounding up purchase prices to the next euro or ten euros could be proposed at checkout in major retail chains or as an account management service in partner banking institutions. The proceeds would be turned over to a partner NGO of the chain or bank.

This solution would not raise any tax (VAT) or accounting problems provided the chain or bank is duly mandated by the NGO to collect the funds and the collector books the round-up proceeds in a third-party account. This would, however, require adjustments in the company's accounting and information systems.

Proposal #22: Encourage volunteer companies and NGOs to carry out an operational feasibility study of price round-up donations. Accounting professionals and the Tax Policy Department would necessarily be involved as experts (see annex 1, proposal 6).

Proposal #23: Encourage more regular use of microgiving via SMS messaging at standard rates, which does not generate VAT, a method as yet used only for emergency operations (e.g., tsunami, earthquake in Haiti) (see annex 2, proposal 8).

Proposal #24: Over the longer run, study the tax-related and practical feasibility of a charitable payroll deduction scheme based on the payroll giving model (see annex 2, proposal 7).

Bet for a Better World is a French solidarity lottery project for exceptional draws organized by Française des Jeux, in which 20 percent of the winner's take will be used to finance humanitarian projects. The originality of the project, backed by Minister of State for Cooperation and the Francophonie Alain Joyandet, lies in the combination of a lottery and a TV program aimed at publicizing funded or candidate development projects, their contribution, and success (see annex 1, 2, 1.2.4). The plan is to broaden the project and ultimately organize draws all over the world.

Proposal #25: Support and accelerate the project for deployment of a solidarity lottery, and underscore its growth potential (see annex 1, proposal 8).

4.3.3. Assistance in improving transparency and professionalism among stakeholders in philanthropy directed to international solidarity

Before contemplating tighter controls of accounting transparency, the first step should be to heighten donor awareness of existing controls.

Proposal #26: Provide financial support or expertise to interested stakeholders with a view to compiling a condensed summary of the key information donors need to make informed choices: the Comité de la Charte label or a certification system, overhead/social mission ratio, fundraising expenses/social missions ratio, etc. (see annex 2, proposal 9).

Beyond accounting transparency, another issue, stemming from the sector's fragmentation, concerns the effectiveness of initiatives led by the various stakeholders. That issue, at least as important as the amounts of money mobilized on the ground, has in fact sparked Parliamentary criticism. Auditing, although a necessary condition for developing philanthropy and enhancing its credibility, is far from perfect, as shown by Pablo Eisenberg's works⁶⁶.

In line with the commitments undertaken in the Paris Declaration on Aid Effectiveness (March, 2005), 25 representatives of national NGO platforms and North-South networks seek to structure and promote the effectiveness of civil society, under the leadership of Concord, a European confederation of NGOs for international solidarity.

The outcome of the process will be to establish principles of effectiveness and guidelines for implementing them by late 2010-early 2011. However, to foster the development of partnerships between private and public stakeholders, good practices or methodological principles should be defined that are common to both types of stakeholders, by broad category of intervention and covering the principal risks, as well as an independent auditing approach.

The auditing approach should in any case be undertaken by the organizations themselves, on a voluntary basis, along the lines of the approach that led to the creation of the Comité de la Charte. In other words, the choice of the auditing body would be left up to them. The feasibility of providing the service and financing its operation, possibly by AFD, could be examined, depending on demand and after consultation with the stakeholders.

Proposal #27: Incentivize nonprofit organizations to adopt an auditing approach by cofinancing the cost of independent auditors, starting in 2010.

On the Economy Ministry's initiative, organize an "Etats Généraux" convention on evaluation of public and private actions in development aid. The proceedings could begin after completion of the process undertaken by the NGOs in 2011 (see annex 1, proposals 1 and 2).

Another avenue for fostering greater professionalism in the sector could be to more fully recognize the skills acquired through charity work or international volunteering. Martin Hirsch, High Commissioner for Active Solidarity Against Poverty and High Commissioner for Youth, intends to define a common competencies benchmark in a logbook retracing the volunteer worker's career. The book would be useful to volunteers looking for a job or trying to validate their competency-based qualifications. This is a particularly useful initiative in that charity or volunteer work is often a prerequisite for jobs with international solidarity nonprofits and prior experience in an NGO can open doors to international organizations.

Proposal #28: Support the creation of a working group on the common standard of competencies for volunteer workers in international solidarity. Its members could include France Volontariat International, Coordination Sud, Ritimo, and AFD (see annex 1, proposal 5).

⁶⁶ Pablo Eisenberg, *Challenges for Nonprofits and Philanthropy; the Courage to Change*

4.3.4. Promotion of a positive public image of development aid

Audiovisual media offer a means of reaching out to a broad spectrum of donors, especially by giving major national causes high visibility. However, specialists in audiovisual communication and in charitable giving stress donor overexposure to the barrage of Telethon and other broadcasts. More indirect mobilization through regular programs could foster more lasting public awareness by putting greater emphasis on practical success stories. The Bet for a Better World solidarity lottery has scheduled reporting sequences on projects selected by AFD which can provide an opportunity to highlight successful operations carried out in partnership with NGOs.

The networks' news broadcasting divisions (TF1, France Télévision, etc.) also run reports on philanthropy. Notifying them of actions undertaken, in particular to enhance the visibility of controls, could usefully support their news coverage.

Proposal #29: Present international solidarity as a major national cause and launch an awareness-raising campaign in schools with the Ministry for Education.

Launch a communication campaign on international solidarity around the solidarity lottery, emphasizing success stories and avoiding compassionate appeals.

Notify the networks' news broadcasting divisions of the measures implemented for inclusion in their news coverage of philanthropy (see annex 2, proposal 13).

CONCLUSION

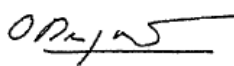
French private philanthropy offers potential in the area of development aid despite some lack of coordination between public and private stakeholders. The legal and tax instruments applicable to philanthropy as a whole provide financial and operational support for international solidarity that is satisfactory overall, without the need for specific mechanisms. Government support for private aid, although sometimes a subject of controversy, can effectively leverage structuring of the sector, improved synergy, and more professionalism in interventions, all of which helps ensure that the public funds invested are put to good use.

More generally, this report's cross-sector analysis of private philanthropy directed to development aid suggests that the government's strategic approach to private aid should be revisited in two respects. First, private aid should be viewed as significant not only in monetary terms but also, and above all, for the value-added particular to each stakeholder – knowledge of needs, skill in using market tools, capacity for innovation and much more. Indeed, the major contribution of multi-actor partnerships such as GAVI or UNITAID is less their contribution as a new source of funding than that their capacity to build an initiative on the complementary strengths for the benefit of the various stakeholders – governments, international organizations, foundations, NGOs, and companies. The second point concerns a shift in the positioning of official development assistance. The government pursues its own sovereign policy on development aid, which, admittedly, it can adjust for better synergy with the different types of private aid or, equally well, focus on serving its own goals. The government's role is not to replace the stakeholders in private aid, nor to act or decide in their stead, but rather to suggest and, where needed, support initiatives contributing to the public interest, alongside its oversight functions. One of the strengths of a government is its ability to bring a variety of stakeholders together around the same table, in the name of a public interest to which they each contribute in their own way. That positioning is the essential condition for successful support mechanisms, which must be defined in partnership with the sector.

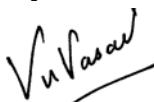
The stakeholders have different motivations – public policy for governments, economics for companies, and solidarity for NGOs and foundations – which may seem difficult to reconcile on principle and unconditionally. Yet despite differing cultures and objectives, approaches based on complementarity and convergence can be forged around projects on the ground. This could be tested in the many proposals recommended in this report that demand coordination (e.g., general information platform and specific development aid platform, online giving modeled on the *Global Giving* marketplace). The government's main contribution initially would be as a facilitator and proposer of suggestions, and only later would consider effective operational and financial support. In that sense, this report is really more a starting point than a conclusion of a dialogue to be pursued and reinvented.

Paris, February 23, 2010

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