The Center for Global Prosperity (CGP) provides a platform — through conferences, discussion, publications, and media appearances — to create awareness among U.S. and international opinion leaders, as well as the general public, about the central role of the private sector, both for-profit and not-for-profit, in the creation of economic growth and prosperity in all countries. The Center supports free societies, including capital markets, rule of law, government transparency, free trade and press, human rights, and private property – prerequisites for economic health and well-being.

*The Index of Philanthropic Freedom 2015* is the first analysis of philanthropic freedom across the world. By examining barriers and incentives for individuals and organizations to donate money and time to social causes, CGP has measured, ranked, and compared countries on their ease of giving. The research is a major step in identifying the public policy actions to encourage private giving which, in turn, can increase generosity.

The Center also publishes the *Index of Global Philanthropy and Remittances*, which details the sources and magnitude of private giving to the developing world. *The Index of Global Philanthropy and Remittances* reframes the discussion about the roles of public and private sectors in foreign aid by showing that the full scale of a country’s generosity is measured not just by government aid, but by private giving as well.

Hudson Institute is an independent research organization promoting new ideas for the advancement of global security, prosperity, and freedom.
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FOREWORD

Center for Global Prosperity (CGP) at Hudson Institute is pleased to present the first *Index of Philanthropic Freedom* which scores and ranks 64 countries on their enabling environments for philanthropy or ease of giving. Experts from within each country conducted a detailed analysis of the legal and regulatory barriers and incentives necessary for philanthropy to flourish and further strengthen civil societies.

These scores were extensively reviewed by CGP’s distinguished advisory board and other global philanthropic experts to arrive at final scores and rankings. Through these expert opinion surveys, in-depth information was collected on three main indicators: 1) ease of registering and operating civil society organizations; 2) tax policies for deductions, credits, and exemptions; and, 3) ease of sending and receiving cash and in-kind goods across borders.

In the last half of the 20th century, the growth in civil society throughout the world has been impressive. Democratic governments have increased and economic growth through private capital investment has helped transform underdeveloped countries into emerging economies. Aided by this political and economic liberalization, institutions of civil society and their philanthropic activities have proliferated. However, and despite this growth, minimal research has been conducted on the size and sources of global and local philanthropy within emerging economies.

The Center for Global Prosperity began such research over 10 years ago, publishing the first *Index of Global Philanthropy and Remittances* in 2006. This Index measures philanthropic flows in addition to all financial flows to the developing world. These include private capital investment, remittances, philanthropy, and Official Development Assistance (ODA). Our data show that, of all financial flows from developed and several emerging economies to developing countries, 80% are private and only 20% are government or ODA, the reverse from some 40 years ago.

Despite a large and growing philanthropic sector, there has been limited research on the nature of this giving, best practices, and outcomes. Even less analysis has been done on the state of philanthropic freedom across the world. Until this new *Index of Philanthropic Freedom*, the basic indicators of how easy it is to give within a country or across borders had not been systematically identified or applied to a large number of countries. Nor had the indicators been assembled in a way that ease of giving could be measured and compared quantitatively across countries.

The new *Index* is unique in its in-depth measurement and comparison of specific laws and regulations on nonprofit registration and operations, actual levels of tax credits,
deductions, and exemptions, and specific barriers to cross border flows. The research is also unique in quantifying variables specific to the environment for philanthropy, ranking and comparing this environment across countries, and presenting the information in a way that easily suggests the necessary policy changes to improve the giving environment benefitting philanthropic individuals and institutions. In addition, accompanying narratives prepared by each country expert provide rich contextual background for understanding the unique socio-cultural environment of each country studied.

The idea of indicator-based competition in new areas of social science is based, in part, on the belief of British physicist, Lord Kelvin, who concluded, “If you cannot measure it, you cannot improve it” It is also the same idea behind other global initiatives such as the Doing Business report published by the World Bank Group in which countries are compared on the ease of doing business. Measuring and publicizing the ease of philanthropy will contribute to the overall infrastructure of the nonprofit sector, leading policy-makers to improve the environment for civil society organizations (CSOs) to register and operate, the tax regime to create incentives for private giving, and increase cross-border financial flows for philanthropic endeavors. Creating a better philanthropic environment, in turn, will impact large grant-making foundations, operating community foundations, and local civil society groups, thus strengthening civil society over the long term.

The Scores & Rankings and Methodology sections will cover results, the process of identifying the indicators of philanthropic freedom, developing the questionnaire, selecting country experts, and reviewing the completed questionnaires for consistency in scoring and harmonization of scores. The Index of Philanthropic Freedom can be found on our website www.hudson.org/cgp. In addition, readers can view an Interactive Map of Philanthropic Freedom and detailed reports for each of the 64 countries on the same website.

It is important to note that our generous supporters and partners, eminent advisory board, notable secondary reviewers, hard-working and resourceful CGP staff, and talented interns all played significant roles in the research and production of this first Index of Philanthropic Freedom. They are identified on pages 44-45. Their dedication in time and spirit to the new Index has been extraordinary, and the high level of scholarship would not have been possible without the skills and collaborative effort of these talented individuals.
The Center for Global Prosperity’s research has been well-received by public-policy makers, philanthropy experts, national and trade media, and both government and private institutions supporting political and economic liberalization as well as philanthropy in the developing world. As a result of the pilot study and our generous donors and partners, CGP has been able to expand the research to support the first Index of Philanthropic Freedom measuring and comparing both developed and developing countries.

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The 64 countries in the study were selected to represent all regions of the world as equally as possible. As such, we examined seven regions: North America and the Pacific, South America, Western Europe, Central and Eastern Europe, the Middle East and North Africa, Sub-Saharan Africa, and Asia. Within these regions, we selected countries which had some level of philanthropic infrastructure, a legal/regulatory framework, available expertise to measure this framework, and varying political, economic, and cultural systems.

The thesis of the new Index is that, in addition to social-cultural factors, philanthropy depends on a conducive legal and regulatory environment and that this environment can be measured and compared among countries. And while there are various definitions of philanthropy, we have chosen to define it broadly as an activity performed with a goal of promoting well-being. As such, philanthropy can take many forms, including: individuals giving to nonprofit organizations; diaspora communities funding relief and development projects in their home towns; foundations and charities supporting community projects, social investments, and program-related investments; corporations undertaking cause-related marketing campaigns as well as multi-million dollar disease treatment programs; members of religious organizations going on short- and long-term missions to help in orphanages in Africa; individuals using SMS to transfer funds to disaster victims and donating to overseas projects through internet giving websites; and the use of entirely new financial tools, such as social stock exchanges, to promote well-being.

A PILOT study of 13 countries supported by the John Templeton Foundation resulted in the new *Index of Philanthropic Freedom*. The study set out to determine if philanthropic freedom could be accurately measured and compared across countries. The results demonstrated that statistically significant differences in country rankings could be found.
This broad definition applies to the many different types of civil society organizations (CSOs) throughout the world today as well. The term CSO refers to a wide range of groups including the following: community groups, non-governmental organizations (NGOs), labor unions, social enterprises, indigenous groups, charitable organizations, faith-based organizations, professional associations, and foundations.

Conducting the philanthropic freedom survey in 2014-2015 was especially interesting because of various developments affecting philanthropic freedom throughout the world. Foreign exchange regulations and capital controls made it more difficult for organizations and individuals to engage in global philanthropy in both developed and developing countries, especially Argentina and Venezuela. In post-Soviet States, 2014 also marked the enforcement of “Foreign Agent” laws designed to curtail the activities of CSOs supporting human rights and government transparency. Illicit Financial Flows legislation inadvertently damaged philanthropic giving as well. Finally, ever-present issues of restrictions and requirements for CSO registration, operations, and the ability to receive foreign funds continue to impede CSO activity in virtually all of the countries surveyed.

Drawing on its expert opinion surveys and the experience and knowledge of legal and regulatory philanthropic experts, the Index of Philanthropic Freedom analyzes these concerns and positive developments in philanthropy as well. Almost without exception, experts in the countries surveyed reported that civil society has started to rebound to its pre-recession strength, and that giving in some places has even exceeded its former levels. Perhaps most promisingly, civil society leaders the world over remain committed to achieving their philanthropic goals and growing generosity.
By measuring three key indicators in 64 different countries, the *Index of Philanthropic Freedom* provides a comprehensive analysis of the incentives and barriers to giving. The *Index* assigns countries an overall score of between one and five, with one representing an environment that impedes philanthropic activities and five representing an environment that supports them. A full interactive version of this map can be accessed online at www.hudson.org/cgp.
Though average and median scores were similar at 3.5 and 3.6 respectively, the study found significant variations in philanthropic freedom among these countries, with scores ranging between a maximum 4.83 and a minimum of 1.69.

While the countries studied in the *Index of Philanthropic Freedom* represent a diverse array of philanthropic environments, many share a number of common challenges and opportunities. Taken together, these trends and themes characterize the philanthropic environment in 2014-2015 and have important implications for countries’ legal, political, and economic policies.

First, in many of the countries surveyed, philanthropic freedom has been impeded by the increasing prevalence of foreign exchange regulations and capital controls. These policies affect the ability of individuals and organizations to trade currencies and move funds in and out of countries. The regulations are not necessarily designed to limit philanthropic freedom or to inhibit the growth of civil society. For the most part, they help nations manage their currency and prevent capital flight, among other macroeconomic goals. Nevertheless, they can interfere with the transmission of funds between donors and recipients (See Argentine Capital Controls: Philanthropic Side Effects, pages 34–35). For donors, regulations which raise transaction costs, enforce artificial exchange rates, or place limits on the amount of money that can leave a country raise the cost of engaging in philanthropy. For recipients, these regulations limit access to foreign funding and raise the cost of receiving funds from those foreign sources that remain.
The Index of Philanthropic Freedom

“Keep HANDS OFF civil society” protest organized by Sri Lankan NGOs in front of the Colombo railway station, July 17, 2014.

In Venezuela, for example, the country’s foreign exchange regulations forbid individuals and groups from obtaining dollars, euros, or any other foreign currency from entities not controlled by the country’s central bank. Due to the sizable gap between the official and unofficial exchange rates, this imposes what is effectively a tax on incoming financial flows. While not intended to harm civil society, Venezuela’s foreign exchange regulations have been nothing short of a disaster. Such policies are more pronounced in Venezuela, Argentina, Bolivia, and Brazil, but are by no means limited to South America. China, Egypt, Georgia, India, Myanmar, Pakistan, Russia, and South Africa all have currency control systems affecting philanthropic activity in their countries.

Second, and instituted largely in the wake of the Global War on Terror, Illicit Financial Flows (IFF) legislation has grown to become one of the more common, albeit not the most arduous, policies impeding philanthropic freedom.

Much like currency and capital controls, IFF legislation has generally been adopted for well-founded reasons. Governments have a legitimate interest in interdicting the flow of illegal goods, preventing tax evasion, and depriving terrorist groups of access to funding. Such policies are not unwarranted as some charities have been used to conceal and route funds to extremist organizations.

To counteract this, IFF legislation has introduced a wide variety of regulatory regimes and programs. Laws stipulating that recipients and donors provide identification,
wait a predetermined period of time before processing a transaction, and report the end use of a donation have been widely credited as useful and necessary steps by governments. However, much like foreign exchange regulations and capital controls, IFF legislation has emerged as a barrier to legitimate philanthropic activity in more than half of the countries surveyed. While identification processes can prevent illegal actors from accessing financing, they can also prevent philanthropic actors in less developed countries from utilizing the full range of available resources. And, although increased reporting requirements can enable authorities to confirm whether or not a donation is used for its expressed purpose, they can also place a bureaucratic burden on lawful organizations, one that is often disproportionately borne by smaller entities.

It should be noted that in Pakistan, Russia, Turkey, and Malaysia, there is growing evidence to suggest that the damage to philanthropic activity is not entirely unintentional. In each of these countries, legislation passed ostensibly to combat IFFs has been used to limit the autonomy of philanthropic actors, investigate and surveil groups critical of the government, and impede organizations attempting to access foreign funds.

A third trend identified by our research is the increasingly skeptical, and at times hostile, treatment of foreign donations made to local CSOs. While part of this is undoubtedly due to the growth of IFF legislation, criticism of overseas contributions in several of the countries surveyed seems principally motivated by a desire to minimize the influence of the human rights community and political reformers. Such efforts are best illustrated by Russia’s recent enforcement of Federal Law No. 121-FZ, better known as the “Foreign Agent Law.” Under the law, non-commercial organizations that receive funds or other assets from foreign entities must register as foreign agents, a status that can effectively compromise their ability to act in the public sphere. (See Crackdown on Philanthropy, pages 26–27).

Tellingly, the Russian government has not used this law to hamper the efforts of state owned enterprises or CSOs associated with the country’s ruling establishment. Rather, it has been used to impede election monitors, LGBTQ groups, other human rights organizations, and anti-corruption initiatives. Russia is not the only country to adopt such measures, and comparable laws have been passed or are being actively considered in Azerbaijan, the Kyrgyz Republic, and Tajikistan. Nor is this treatment of foreign involvement solely limited to the former Soviet Union. While certainly less harsh than laws in Russia, in 12 of the countries surveyed, organizations and individuals must solicit and receive permission from government regulators before a foreign donation can be accepted.

While not a new trend in the 2014-2015 philanthropic enabling environment, the restrictions on the ability of CSOs to incorporate, operate, and receive foreign funding continue to be pervasive. These barriers can take on a number of forms, including limitations on CSO founders, minimum capital requirements, lengthy registration periods, high registration costs, and endemic corruption. According to Douglas Rutzen, President and CEO of the International Center for Not-for-Profit Law, his tracking data reveal that 98 laws restricting freedom of association or assembly around the world have been proposed or passed since 2012. Approximately half of these laws put constraints on the registration and operation of CSOs and another third constrain cross-border philanthropy. The constraints on civil society are seen throughout all regions of the world as well.

Finally, the report suggests that while wealthier countries do enjoy greater philanthropic freedom, the link between economic development and philanthropic freedom is not as strong as might be expected. As Figure 1 shows, while the developed states of Western Europe and North America and the Pacific perform exceptionally well, of countries with per capita incomes of less than $25,000, 36% had philanthropic freedom scores in the top half of the study. For example, both the Philippines and Tanzania had good philanthropic freedom scores ranking 19 and 23 respectively. Conversely, Qatar has the highest GDP per capita (PPP-adjusted) of any country in the world, yet ranks second from the bottom on philanthropic freedom. As the testimony from many of our country experts makes clear, philanthropic freedom is largely influenced by deliberate choices made by policymakers, choices that are not necessarily dependent upon a country’s level of development.
(FIGURE 1)
SELECTED COUNTRIES’ PHILANTHROPIC FREEDOM
SCORES AND PER CAPITA GDPS
According to our experts, the countries of the Middle East and North Africa have some of the least conducive environments for philanthropy. While the Arab Spring had stoked hopes of reform, little progress has been made. According to the country surveys, progress has been barred by the enormous and undue influence that the governments of the region continue to wield over civil society. Unregistered groups, for example, are still prohibited in Turkey, Jordan, Egypt, and even Tunisia. Government suppression is not limited solely to unregistered groups, however. Nearly all of the countries surveyed in the region have burdensome application processes, politicized regulators, and rules designed to prevent certain groups, usually organizations associated with LGBTQ and other human rights activities, from fully participating in civil society.

Two of the region’s countries, Qatar and Saudi Arabia, do not levy income taxes on citizens and organizations. Saudi Arabia does, however, tax foreign corporations. This is explained in greater detail in Explanatory Notes, page 43. Nonetheless, most of the region’s CSOs operate in one of the study’s most inhospitable tax environments. In Tunisia, Jordan, Lebanon, Turkey, and Egypt, not only are incentives minimal, but they are also prohibitively difficult to obtain—particularly for groups involved in activities that governments view as subversive. The Middle East and North Africa’s conditions for cross-border philanthropic flows are similarly restrictive. In addition to Saudi Arabia’s effective ban on incoming foreign donations, Jordan, Egypt, and Qatar require government approval before donations from foreign entities can be received by local CSOs. Taken together, these barriers ensure that much of the region’s giving is channeled through informal means.
EGYPT
Though Egypt’s post-Mubarak reforms had given civil society organizations reason for hope, the Egyptian government’s recent crackdown on democracy and human rights oriented organizations has only intensified. CSOs also suffer from a number of policies specific to the third sector, most notably Law No. 84. Passed in 2002, the law continues to be enforced and contains several harmful elements, including a ban on unregistered groups, prohibitions against groups engaging in political activity, the ability for regulators to terminate CSOs without warning, and a requirement that groups seeking to cooperate with foreign entities obtain prior approval from the government. Furthermore, registering under Law No. 84 is a time-consuming process, one that requires applicants to submit extensive documentation. As a result, many CSOs choose to register as legal firms or civil companies instead of as foundations or associations. The rankings of Egypt’s tax and cross-border giving incentives are also low. While Egypt does provide a limited range of tax incentives, they are limited to the few groups that manage to successfully register under Law No. 84.

JORDAN
While ranking higher than most countries in the Middle East and North Africa, Jordan’s philanthropic environment is still more restrictive than average. Like several of its neighbors, unregistered associations are prohibited from operating in the country, and violators who operate without registration can face up to two years in prison. And while the Registrar Board, which serves as the regulator for most CSOs, is professional and competently managed, Jordanian law grants it considerable powers that it can employ at its discretion. For instance, Jordan’s 2008 Law on Associations No. 51 prohibits organizations from violating the public order: a broad rule that allows regulators the ability to target individual CSOs at will. The country’s tax environment suffers from similar shortcomings. Though Jordanian groups can receive tax deductible donations subject to a relatively generous ceiling of 25% of a donor’s taxable income, doing so requires obtaining tax deductible status: a lengthy and uncertain process. Making cross-border donations is also restricted, and Jordanian groups must first seek and obtain government approval before foreign funds can be received.

LEBANON
Instituted over a hundred years ago, the 1909 Ottoman Law on Associations continues to inform the practices of Lebanese government regulators. The strength of the law is not, however, what it once was, and has been undermined by the discretionary powers accorded to the Ministry of Interior and Municipalities. Registration, while rarely denied, is slow, lacks transparency, and is onerous for groups whose work conflicts with government policies. Lebanon’s tax system is similarly inhospitable. No incentives exist for individuals, and while corporate donors can technically claim a tax deduction on donations made to eligible organizations, these deductions are limited to $10, an insignificant sum. Fortunately, Lebanon’s cross-border environment is markedly more accommodating. Although Lebanese tariffs are high, unlike most countries in the region, CSOs do not need government approval to receive funds from abroad. As a result, most Lebanese CSOs have come to rely primarily on foreign donors.
QATAR
Proof that wealth is no guarantee of philanthropic freedom, Qatar’s philanthropic environment provides little support for its CSOs. Qatari law lacks a clear definition on what activities can be legally pursued, and maintains no constitutional protections for speech or association. As a result of these legal uncertainties, it is unclear what registered associations are allowed to pursue. These deficiencies are further exacerbated by Qatar’s strict prohibitions against foreign involvement. Not only are Qatari groups not allowed to send or receive foreign funds without prior approval, but they are also prohibited from forming official ties with foreign groups. However, and like all Qatari entities, CSOs are not subject to income taxes, though this also means that the country provides no tax incentives.

SAUDI ARABIA
The lowest ranking country in the Middle East and North Africa, and also in the entire study, Saudi Arabia has a very restrictive environment for philanthropy. Through its control of the media, intolerance of reformist organizations, and heavy handed treatment of critics, Saudi Arabia lacks an independent philanthropic sector. Saudi regulators are empowered to inspect CSO internal meetings at any time without notice, and to involuntarily dissolve CSOs if charged with disturbing the public order. Consequently, the majority of the country’s CSOs are directly affiliated with either the government or the country’s royal family. This reliance upon the state is also encouraged by Saudi Arabia’s de facto ban on foreign contributions. While many countries in the region require government approval before receiving contributions, Saudi Arabia’s 1990 Decision of the Council of Ministers 107 makes it practically impossible to receive donations from abroad.

TUNISIA
With the highest ranking in the region, Tunisia deserves credit for maintaining a supportive philanthropic environment for its rapidly growing civil sector. After the passage of Decree Law 88-2011, Tunisia’s treatment of CSOs has seen considerable change. At present, associations no longer require approval from the government in order to operate, and CSOs need only to provide a constitution and a reasonable list of documents to regulators. Tunisia does, however, maintain some of its older requirements and prohibits both the operation of unregistered organizations and foreigners from founding CSOs. Nonetheless, the current environment for CSOs has improved significantly, and CSOs are able to take advantage of a regulatory apparatus that is less intrusive and more transparent. Although its current economic difficulties limit the deduction ceiling to just 0.2% of a donor’s income, Tunisian CSOs are exempt from both VAT and corporate taxes. Tunisian organizations have also seen many of the barriers to cross-border giving lifted, and are free to send money abroad—although organizations must still obtain permission before receiving foreign funds.

TURKEY
Though its score is average when compared to the rest of the region, Turkey’s philanthropic regulatory regime is still deficient by global standards. Of particular concern is the growing influence of extra-legal regulations and interference from the country’s executive branch. Through the promulgation of legal opinions, administrative decrees, and new ministerial requirements, government actors are able to exert considerably more pressure on Turkish CSOs than a strictly de jure interpretation of the law would suggest. Regulators have made it particularly difficult for foreign entities to work in Turkey, and at present less than 119 are believed to operate in the country. The government has also used the country’s Anti-Terror law, ostensibly designed to impede terrorist activities, to stifle and in some cases, imprison individuals involved in human rights causes. Turkey’s tax environment is, however, more supportive and donors can claim up to a 5% deduction on donations made to registered CSOs. Nonetheless, and given the current difficulties associated with registration, the effectiveness of these incentives is debatable.
Sub-Saharan Africa continues to benefit from the philanthropic activities of indigenous foundations, individual donors, and foreign groups. The continent is still constrained, however, by widespread poverty, suboptimal government policies, and minimal incentives for giving. As a result, the region as a whole scores in the lower half of all regions surveyed. Philanthropic traditions, notions of reciprocity, charity, and concessionary giving are central to many of the region’s countries. According to country experts, however, the restrictive environment for giving is explained in part by the newness of structured philanthropy. Consequently, there are fewer indigenous grantmaking institutions in Sub-Saharan Africa than in other regions, and the administrative infrastructure for philanthropy remains underdeveloped.

Despite a low level of economic development in the region, individuals and families have managed to tap into the significant resources remitted from Africa’s large diaspora community, nearly $33 billion. Governments have been reluctant to impose significant taxes or regulatory barriers on these flows. The liberal treatment of remittances has not, however, been extended to other types of cross-border giving. Whether justified on the basis of sovereignty or industrial protectionism, most of the region’s regulators continue to impede cross-border philanthropic flows, and the continent’s tariffs, capital controls, and fees have tempered interest in global giving.
EThIOPIA

Ethiopia is noted for its particularly inhospitable environment for philanthropic activity, and is the lowest ranking country in Sub-Saharan Africa. The country has no shortage of challenges, but the greatest impediment is the government’s intrusive involvement in the registration and operations of CSOs. Codified in 2009, much of this interference can be traced to the Proclamation to Provide for the Regulation of Charities and Societies. Though the Proclamation does represent Ethiopia’s first attempt to provide a comprehensive and encompassing legal framework for CSOs, it has ultimately stifled civic activity by restricting the range of allowable activities, enacting onerous requirements, and placing artificial limits on the number of CSOs that can operate within a given sector. Though the law affects nearly all Ethiopian organizations, it has proved particularly detrimental to groups working in areas related to democracy, human rights, and political reform. Foreign funds to these groups are limited to 10% of the organizations’ net income.

KENYA

Kenya’s philanthropic environment scores in the lower half of African countries surveyed and below most of the countries in the study. Constitutionally, CSOs are entitled to a wide range of freedoms and rights, including the right to assemble and participate in lawful activities. In practice, these rights are generally respected, and Kenyan groups face little overt control from government regulators. One problem, however, is the country’s registration process. While specifics vary depending on the type of organization being registered, the process is lengthy, taking between six months and a year to complete. Though registration fees are low at between $120 and $330, documentation requirements can be complicated, particularly if an organization chooses to incorporate under the Companies Act. With respect to the country’s tax environment, Kenyan law allows both individual and corporate donors to make deductible donations, and, with the introduction of the 2007 Income Tax Regulations, places no ceiling on the amount of deductions that can be claimed. This is, however, somewhat offset by the time-consuming and inconsistent process required to receive these deductions. Though the country does provide VAT remissions

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and tax exemptions, obtaining tax exempt status can be a tedious and lengthy process.

**LIBERIA**

Historically connected to both Africa and the United States, Liberia has a giving tradition that is one of the continent’s most unique. On the one hand, the country’s cultural expectations of philanthropy predate the establishment of the modern Liberian state. This informal giving system emphasizes the importance of unplanned giving, among other tenets. Liberian civil society is also in the process of modernizing and has adopted a number of reforms. These are inspired in part by North American and Western European models. Passed in 1998, the National Policy for Non-Governmental Organisations has emerged as a key factor in these reforms. Under the administration of President Ellen Johnson Sirleaf, this policy and other directives have been used to streamline the registration process and improve coordination among government regulators. The policies appear to be effective, and organizations are free to pursue a wide range of activities and can typically register in 20 days. The requirement that CSOs renew their registration every three years, however, remains an issue of concern. While the country does provide some tax exemptions, these are limited in scope, consisting of temporary real estate waivers, duty free permits, and the use of free license plates.

**NIGERIA**

Bolstered by a peaceful general election and dynamic economy, Nigeria should be well positioned to become a center of philanthropic activity in Sub-Saharan Africa. Its third sector development is currently stymied by a number of policies. First, the registration of CSOs is difficult due to a relatively high $150 registration fee. The main civil society regulator, the Corporate Affairs Commission, has considerable discretion in approving registrations as well. While the government has taken steps to professionalize the Commission and ease the application process, registration is a burden to most CSOs, and can take between four months and a year to complete. Second, Nigeria currently makes no provision for tax deductible gifts by individuals. While corporations can receive deductions on gifts, they are capped at a modest 10% of total profit. Finally, Nigerian officials have grown increasingly skeptical of the value of cross-border philanthropy and are particularly vocal in their criticism of foreign involvement in local projects. The criticism has been accompanied by concrete actions such as high transaction costs for cross-border financial flows and limits on currency outflows by individuals.

**SENEGAL**

Scoring just below the study’s average, Senegal’s philanthropic environment ranks slightly above average among African countries surveyed. While there are no significant barriers to giving, there are also no adequate incentives. For the most part, Senegalese organizations are free to conduct themselves as they see fit provided that they do not exceed the bounds of the country’s flexible regulatory framework. Registration requires an organization to prove that it has been in existence for at least two years. This may account for the large number of organizations that remain unregistered. Once registered, Senegalese organizations are permitted to operate with a reasonable degree of autonomy, and involuntary dissolutions are rare. While these polices do not significantly impede CSO operations, concerns have been raised over the country’s restrictive cross-border policies. Though not intentionally created to impede the flow of philanthropic funds, the regulations governing them were designed and implemented when the management of such flows was less of a priority. As a result, cross-border donations fall largely under the country’s regulations on foreign investment. While funds can move in and out of the country with relative ease, they are effectively devoid of exemptions or other tax incentives.
SOUTH AFRICA
One of Sub-Saharan Africa’s higher scoring countries, South Africa provides a moderately accommodative environment for its CSOs. Having been an integral part of South Africa during the country’s democratic struggle, civil society organizations enjoy a privileged place in the country, and participate not only in the provision of services, but also in advocacy and political activities. South African CSOs are permitted to operate either with or without registration, have foreign founders, and are generally allowed to design their internal governance structures as they wish. Registration can be a lengthy process, and significant delays of up to six months are not uncommon. Groups with foreign involvement frequently face additional difficulties, and in 2014, the country’s primary regulatory body, the Directorate for NPOs, refused to register a number of non-profit organizations whose boards were primarily comprised of foreign citizens. CSOs are eligible to receive a general rebate on customs duties levied on cross-border in-kind transfers. For domestic donations, registered South African organizations can also avail themselves of a generous range of tax incentives, most notably exemptions from income taxes and the ability to receive tax deductible donations up to 10% of a donor’s taxable income.

TANZANIA
The highest scoring country in the region, Tanzania affords civil society groups and philanthropic actors ample space to pursue a wide range of activities and objectives. Registration fees are low, and while dependent on the type and geographical location of the applicant’s activities, generally range between $50 and $100. Tanzanian civil society also benefits from a strong system of self-regulation by way of the NGO Governing Board. The board, which consists of 30 members from various CSOs, allows civil society to set many of its own regulations and wields significant influence over the sector’s governance protocols, terms of reference, and reporting procedures. Tanzania’s CSO community has been less effective in improving the environment for cross border financial flows. While exemptions from VAT and various other taxes are available to organizations that receive contributions, including from foreign entities, the country offers few other incentives. Less than 10% of Tanzanian groups rely on foreign funding.

ZAMBIA
Zambia’s score ranks in the bottom quartile of all countries studied. By regional standards, Zambian CSOs can operate in a regulatory environment that is, however, moderately conducive to philanthropy. The regulatory climate does prove to be a barrier to those groups whose interests do not align with those of the government, however. Under the widely criticized NGO Act of 2009, passed in 2013, the activities of all Zambian CSOs must be approved by the country’s NGO Board to ensure that they align with Zambia’s national development plan. Given that unregistered groups are prohibited, this requirement allows the government to wield considerable influence over the affairs of civil society. Fortunately, the country’s tax incentives are less susceptible to government control. Through Section 15 of the Second Schedule of the Income Tax Act, CSOs can benefit from a number of incentives, including exemptions from income, property transfer, and withholding taxes. Individuals can also claim deductions up to 15% of their income on donations made to eligible organizations, though the exact share of a donation that can be claimed is a matter of debate. Cross-border regulations are similarly inconsistent. While the country at one time had one of the more robust regulatory regimes in Africa, the passage of Statutory Instrument 103 in 2013 has complicated the process for sending and receiving cross-border donations with new requirements on CSOs.
Our country experts ranked Western Europe as one of the most free regions in the study. With an average score of 4.4, Western Europe is the study’s highest scoring region. It is distinguished by numerous political liberties, competent regulators and high rates of participation in civil society. Bound together through the European Union and the European Economic Area, the region is more integrated than the others surveyed. Its countries’ policies are generally harmonized, compatible, and, in some cases, even partially interchangeable. Western Europe is not, however, without problems of its own. When compared to countries in North America and the Pacific, the tax incentives available to both donors and recipients are less generous. Whether deduction ceilings, the range of exemptible activities, or the amount of a donation that can be claimed as a tax deduction, Western European countries have fewer incentives to give and engage in charitable activities.

This in turn is largely attributable to the larger role that Western European governments play in the provision of public services and the lingering impact of the Great Recession. The region’s environment for cross-border philanthropy is, however, very supportive. Spurred by the European Court of Justice’s 2009 ruling in the landmark Persche case, EU countries cannot deny tax incentives to donors when they give to an entity in another EU country. Overall, barriers to international giving are gradually easing in most Western European states.
In spite of the country’s strong tradition of generosity, Austria lags behind other European countries in key areas. Unlike most of its neighbors, Austria does not allow online registration of CSOs. Instead, applicants have to undergo a somewhat lengthy—albeit well-managed—registration process. Austrian tax law also limits tax incentives for donations to a narrow field of activities, namely science, research, education, and the arts. Furthermore, those tax incentives that are offered are somewhat offset by limits on the amount of deductions that can be claimed. At present, only a relatively low ceiling of 10% of taxable income is allowed. Austria is, however, working to liberalize its philanthropic sector, as demonstrated by its abolishment of its inheritance tax, the implementation of a flat tax rate for cross-border transactions, and the government’s expressed interest in providing an option for online registration.

**Finland**

Much like the rest of the Nordic countries, Finland has a philanthropic environment that is permissive of CSO activities, but allows only limited tax incentives. Notably, individual donors are not eligible to receive deductions, and legal entities face both minimum and maximum thresholds for eligible donations. The lack of incentives has not, however, discouraged Finns from participating in civil society, as evidenced by the approximately 70,000 active associations serving the country’s 5.4 million citizens, one of the highest rates of associations per capita in Europe. On this measure, Finland comes after Sweden and before the United Kingdom.

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**France**

One of the higher ranking countries in both the region and in the study, France’s philanthropic environment combines its longstanding tradition of civic participation with a relatively generous tax environment. While the French state continues to play a leading role in the provision of public services to its citizens, donors are still able to take advantage of some of the most generous tax incentives found in the study. There is a 20% of income ceiling on tax deductions and a tax deduction rate of 66% of the amount of the donation. Although the country’s philanthropic groups have grown increasingly professionalized, they nonetheless maintain close cooperative relationships with government regulators and service providers. This can be attributed in part to the country’s Roman Catholic heritage, and its historical reliance on a centralized government.

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**Germany**

With its dynamic economy, supportive tax system, and conducive regulatory regime, Germany’s philanthropic environment is one of the best in Europe. There is, however, still a legal uncertainty regarding unregistered associations—though current legal opinion maintains that such organizations are lawful. German law is relatively liberal, allowing organizations tremendous freedom to set their own internal governance, have foreign founders, and pursue a wide range of activities. The country
also boasts an accommodative tax environment, one whose 20% ceiling on tax deductions for corporations and individuals is among the highest in Europe. Finally, and although beset by the occasional corruption scandal, philanthropic actors enjoy excellent relations with both the public and the government.

**IRELAND**

With one of the world’s most generous populations, Ireland’s 11th place ranking among all the countries surveyed is not surprising. Irish organizations enjoy a close relationship with the state, whereby Irish charities and CSOs take a leading role in several spheres of civic activity in return for relative autonomy and access to state funding. As a result, Irish groups have grown increasingly dependent on revenue transfers from the government, which by one estimate comprise over three-fourths of the sector’s revenues.

**ITALY**

Although the country’s legislators are currently considering a series of wide-ranging reforms, Italy continues to provide a supportive environment for philanthropic activity. This permissive treatment is extended to not only the country’s 100,000 registered not-for-profits, but also to its more than 200,000 unregistered associations. Italian organizations are well-represented in the country’s decision-making processes, and are active participants in both national level networks such as the Third Sector Forum and regional level collaborations such as the Donors and Foundations Network in Europe and the European Foundation Centre. The country’s growing social safety net has, however, resulted in a tax environment that while competently managed, is nonetheless somewhat austere. Notably, while individual donors can claim deductions on up to 26% of a donation, these deductions cannot exceed 30,000 euros. This modest ceiling is somewhat offset by a favorable fiscal framework, which provides eligible organizations with exemptions from corporate income taxes, local taxes on real estate, gift and inheritance taxes, and VAT. Due to the country’s EU membership, Italian CSOs are also able to take advantage of the region’s partially integrated philanthropic infrastructure for cross-border giving. Concerns have, however, been raised over the country’s compliance with the landmark Persche and Stauffer decisions, as a number of practical barriers continue to impede the transmission of tax incentives to Italians giving to foreign causes.

**NETHERLANDS**

The best performing country in not only Western Europe, but also the entire study, the Netherlands benefits from an exemplary registration system for CSOs and one of the freest environments for cross-border giving. The Netherlands stands out for the liberties extended by the government to CSOs: They are free from minimum capital requirements, can register in a single day, allow foreigners or minors to serve as founders, and are generally free from reporting requirements except when they provide public services paid for by the state. As a result, CSOs in the Netherlands are almost uniquely free of governmental control and involvement. These liberties are further complemented by the country’s tax regime, which includes deduction ceilings for individuals at 10% and corporations at 50%, along with exemptions from corporate income taxes, energy taxes, and gift taxes. Unusually, the Netherlands also provides a similar range of tax benefits for organizations that give to foreign entities.

**PORTUGAL**

Even though the country’s philanthropic environment is relatively free by global standards, compared to the rest of Western Europe, Portugal’s performance is decidedly subpar. More specifically, Portugal’s minimum capital requirements, rules on board member term limits, and disclosure requirements are more onerous than those found in most other European states. The country has, however, pursued a number of policies aimed at easing these and other
requirements, most notably the government’s Associação na Hora initiative. This program allows associations to register in a single day at a cost of between 200 and 300 euros.

**SPAIN**

Spain’s philanthropic environment has undergone a number of changes in recent years, most notably in its tax system. Prior to 2014, tax incentives were limited to a straight 25% deduction on philanthropic contributions for individuals, and a 35% deduction on contributions for corporations. However, and after the passage of a series of tax reform bills in late 2014, deductions for individuals were raised to 75% for any amount under 150 euros, and 30% for any amount over. Such efforts to encourage private giving have only grown in importance as the government has increasingly looked to civil society to provide services that have been left underfunded by the 2008 recession.

**SWEDEN**

With its 9.5 million citizens holding some 32 million memberships, participation in civil society has come to be an essential part of Swedish society. Other than legal fees, registration is free in Sweden, and an organization can be registered almost instantaneously provided it meets the country’s already liberal eligibility requirements.

Like those charged with the management of other sectors, Sweden’s public registration and tax regulators are well-paid, professional, and apolitical. The high quality of Swedish public services has, however, ensured that the government’s appetite for deductions and exemptions is relatively limited. As a result, Sweden currently maintains one of the least generous tax incentive regimes in Europe.

**THE UNITED KINGDOM**

Having one of the world’s oldest traditions of philanthropy and CSOs, the United Kingdom boasts one of the largest and most well-developed civil societies in Europe. In addition to the country’s socio-cultural heritage, individuals and groups can also donate to charities under the government’s “Gift Aid” process. Through it, recipient charities can claim an extra 25 pence on every pound received, although the process is complicated and few donors take full advantage of the program. Tax incentives are not, however, the only policies affecting civil society. Under the current coalition government, civil society has been encouraged to play increasingly prominent roles in the provision of public services. Under the 2010 “Big Society” plan, government support to CSOs has been complemented by efforts to empower local governments, encourage citizen participation in their communities, and promote transparent government administration.
With arguably the most polarized scores, country experts found Central and Eastern Europe to have some of the studies highest and lowest ranking countries. Generally, Central European countries have higher scores and more developed and transparent legal regulatory environments for philanthropy than some Eastern European states, such as Azerbaijan, Belarus, and Russia. Though the region has a generally supportive tax environment, regulations designed to deliberately minimize the influence of political and reformist groups constitute a real and growing threat to civil society in some countries. In several states, particularly those with close ties to the Russian Federation, CSOs are being forced to contend with new Foreign Agent Laws. These laws have significantly restricted the operations of CSOs with links to foreign entities by forcing them to register as foreign agents. This status can result in increased scrutiny and regulation, and involuntary closures of CSOs. Philanthropic actors in many of the region’s countries, most notably Azerbaijan and Russia, have also had to weather criticism from an increasingly hostile, and frequently government controlled, press. Such treatment is made worse by high incidences of corruption in some of the countries surveyed, which has ensured that the support that many CSOs receive is partially dependent on their relationships with individual officials.

Fortunately, there has been progress in some of the region’s more restrictive countries. Of particular note is Ukraine, where the ousting of President Viktor Yanukovych and the repeal of the so called “Dictatorship Laws” has helped to foster hope of a civic revival. Most countries in the region also have at least basic tax incentives for CSOs, even those operating in some of the region’s more oppressive environments. Though deductions and their ceilings are low when compared to Western Europe, these incentives are nonetheless essential for CSO operations in many countries, particularly since cross-border giving has grown more difficult.
**ALBANIA**

While its score is average among all countries surveyed, Albania deserves credit for its efforts to revitalize its philanthropic sector. Albanian CSOs are generally free to conduct themselves as they wish, receive foreign funds without difficulty, and, as much as any other Albanian entity, engage in self-expression. These freedoms are, however, undermined by Albania’s ambiguous legal code. More specifically, unclear and occasionally conflicting regulations governing registration, financial inspection, and control processes have created numerous legal uncertainties. When coupled with the country’s widespread corruption, these uncertainties have encouraged a culture of favoritism and nepotism among Albanian regulators. Fortunately, the country continues to maintain a competent judiciary, and the Tirana Court of First Instance offers an effective check on the worst excesses of the country’s regulators. Albania’s tax environment received similarly mixed reviews from the country expert. While entities can make tax deductible donations, they cannot be claimed by individual donors and are limited to 4% of pre-tax profits.

**AZERBAIJAN**

Despite reformist pressures from both domestic CSOs and the wider European community, Azerbaijan continues to have one of the least conducive philanthropic environments in Central and Eastern Europe. Against a backdrop of ongoing repression, the Azerbaijani government has systematically undermined its civic groups by intensifying scrutiny of NGO applications, increasing reporting requirements, and impeding efforts to obtain foreign funding. As a result, it is largely impossible for CSOs to pursue activities related to human rights or civil liberties. These actions have drawn censure from the European Court of Human Rights, most notably in *Tebiəti Muḥafize* Cemiyyeti v. Azerbaijan. The current government, however, has shown little interest in changing. Tax incentives are still minimal, and neither individuals nor corporations are eligible to receive credits or deductions on donations made. Furthermore, although cross-border donations are free from taxes once received, anonymous donations are prohibited, and Azerbaijani citizens are not allowed to send more than $1,000 to foreign entities in a day.

**BELARUS**

Home to the lowest scores in the region, Belarus’s philanthropic environment is one of the study’s least hospitable. Registration, which is mandatory, is exceptionally difficult and is plagued by a number of deficiencies. In order to operate throughout the entire country, an organization must have no fewer than 50 founders: a requirement seldom seen in other countries. Founders also face additional restrictions. They cannot be foreign, stateless, a person of interest to the country’s internal security apparatus, or have served as the head of a dissolved organization. It is important to note, however, that this treatment of CSOs is not entirely universal, and groups controlled by or associated with the government seldom face difficulties when registering. While Belarusian law allows groups that have been denied registration to contest the decision in court, the country’s judiciary lacks independence and rarely reverses decisions.

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**CROATIA**

Croatia’s environment for philanthropic freedom is one of the region’s most promising. Recent initiatives designed to speed registration have done exactly that, and registration can now be completed quickly, cheaply, and relatively transparently. Nonetheless, giving in Croatia lacks the professionalism and institutional support found throughout much of Western Europe. At present, philanthropic individuals and entities oriented towards the long term receive little support, as most giving is provided in the immediate aftermath of humanitarian emergencies. The country also maintains a weak range of tax incentives, which in addition to being capped at 2% of gross income, can only be claimed by legal entities and not by individuals.

**GEORGIA**

Having been suppressed for decades under Soviet rule, philanthropy in Georgia is still in a state of recovery. Nonetheless, Georgia has one of the region’s more vibrant civil societies, an achievement that can arguably be attributed to the government’s deliberate efforts to nurture private giving. Under the Georgian constitution, individuals are free to act collectively through both unregistered and registered organizations. Should an organization choose to register, the process is relatively easy, and includes a small $56 registration fee and a reasonable list of documentation. Provided that the required materials are in order, CSOs can register in a single day. While doing so requires registered groups to comply with reporting requirements, being registered can be particularly important for Georgian groups that rely on foreign funding. Only registered CSOs can receive foreign funds without government approval and free of VAT and profit tax. Deductible donations, however, can only be made by commercial legal entities, and are capped at 10% of a donor’s taxable income.

**HUNGARY**

While its scores are still higher than average, Hungary’s philanthropic environment has room for improvement. Of particular concern is the country’s relatively long registration process, which can take 60 days or more for CSOs to complete. The Hungarian government deserves praise for the introduction of a simplified electronic registration system in 2015, which is expected to reduce the waiting period to less than 15 days. Unfortunately, and largely on account of the country’s chronic deficit, the government has been unwilling to provide a more generous tax environment. In 2011, Act CXXIII came into effect, which abolished tax incentives for individuals. The impact of the act, due to the country’s dire economic situation, was further worsened by the 2011 passage of Act CLXXV. By mandating that public benefit activities contribute to federal or local government objectives, this later law significantly narrowed the range of organizations eligible to receive tax incentives. Concerns have also been raised over the Hungarian government’s treatment of cross-border donations. In 2014, Hungarian officials raided the offices of several groups that had received funds from the Norwegian grant maker, Norway Grants, on the grounds that the Norwegian government was interfering in the nation’s affairs.

**POLAND**

Poland has the highest score of any country in the Central and Eastern European region and it scores seventh among all 64 countries surveyed. Its environment for philanthropy is exemplary with laws that permit unregistered groups and foreign founders to have high levels of institutional autonomy. The country’s tax environment is similarly conducive, and allows both individuals and corporations to make tax-deductible donations. Though individual and corporate donors can deduct no more than 6% and 10% of taxable income respectively, these deductions can be claimed with reasonable ease and are regulated by a relatively competent tax administration. Unlike most countries in the region, Poland’s environment for cross-border giving remains accommodative and is harmonized with many of its Western European neighbors.

**ROMANIA**

One of the higher scoring countries in the region, Romania benefits from a supportive philanthropic environment and a generous citizenry. Registration, which is optional, is a relatively simple process and can be accomplished with moderate resources and
expertise. The current government generally refrains from interfering in the affairs of the country’s CSOs, and involuntary dissolution, which is rare, can be carried out only after the completion of a clear and transparent legal process. While modest, the country also maintains tax incentives for both CSOs and donors. Furthermore, benefits can be received relatively easily and are available to a wide range of organizations. The country’s cross-border environment is also conducive, and international donors are eligible to claim an array of tax incentives that are similar to those available to their domestic counterparts. However, and like many of the region’s other countries, Romania does not offer incentives for donations that are used to support activities located outside of the country.

**RUSSIA**

Russia’s current philanthropic environment is increasingly one of suspicion and hostility. In July of 2012, President Vladimir Putin signed what is commonly known as Russia’s Foreign Agent Law. The law introduced sweeping changes to Russia’s regulatory system. By forcing foreign funded entities to register as foreign agents, the law places additional requirements on an already heavily regulated sector. Though the country technically maintains constitutional protections for freedoms of speech and assembly, Russian groups are nonetheless monitored and regulated. The Russian tax system, however, is slightly more forgiving, and individuals are eligible to claim deductions on donations made to eligible organizations up to 25% of the donor’s annual income. While corporations are allowed to make donations, and can do so relatively unhindered, such donations are not eligible to receive tax deductions.

**SERBIA**

Dynamic and fast growing, Serbian civil society has benefited from a resurgent philanthropic culture. Having proved their worth during the

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**CRACKDOWN ON PHILANTHROPY**

By Bryan Schwartz

In 2012, Vladimir Putin was reelected as President of the Russian Federation amid a torrent of public protests. Since then, Putin’s government has pushed through a variety of repressive domestic policies and presided over several protracted military engagements in Eastern Europe and the Caucuses. NGOs inside and outside the country criticized the institution of a “gay propaganda law” in 2013 and the annexation of Crimea in 2014. Now, Putin’s government is using amended legislation introduced in 2012 to silence its critics.

Federal Law 121-FZ, colloquially referred to as the “Foreign Agent Law,” was signed on July 20, 2012. The law requires any NGO that receives funds from abroad and/or engages in “political activities” to register with the Ministry of Justice (MoJ) as an “organization carrying the function of a foreign agent.” NGOs that meet these arbitrary requirements must submit biannual activity reports, quarterly expense reports, and undergo mandatory annual inspections. If an NGO “carrying the function of a foreign agent” does not voluntarily register with the MoJ, the organization may be fined and/or closed.

Grigory Melkonyants, deputy executive director of the Golos Association, Russia’s only independent election monitoring group, accused of not registering as a “Foreign Agent” in a Moscow Court in 2013.

The first organization cited in violation of the Foreign Agent Law was Association Golos, Russia’s only independent election monitoring group. In the months leading up to Putin’s 2012 reelection, Golos monitored reported “irregularities” in the voting process. The MoJ accused Golos of receiving foreign funds and engaging in political activity on Russian territory. While Golos acknowledged that it had accepted funds from USAID and other organizations in the past, it maintained that such funds had not been received since the introduction of the Foreign Agent Law.
2008 recession, CSOs are increasingly active in Serbian society and have emerged as key service providers in several areas. While Serbia’s overall rank is above average among all 64 countries surveyed, the country’s third sector continues to languish. The philanthropic environment still provides few incentives to support private giving. Notably, Serbia’s tax code allows only companies and other registered profit making entities to make tax-deductible donations, which are limited to 5% of the donor’s gross income. Furthermore, and unlike many countries in Western Europe and North America, Serbia also makes no legal provision for public benefit status, which in turn obligates CSOs to pay VAT regardless of their activities. Finally, the country’s cross-border environment, while lacking barriers to incoming donations, has no incentives for Serbians to participate in global giving.

**UKRAINE**

Though much of the country’s future is still uncertain, the new Ukrainian government has remained committed to fostering a supportive environment for philanthropy. Registration under the current law is particularly easy, costing between $5 and $40 and taking just three to five working days. Once registered, CSOs can pursue a wide variety of activities, and involuntary termination is rare. The law does, however, require that CSOs registered as charities limit administrative expenditures to 20% of income. With the repeal of ousted president Viktor Yanukovych’s so-called “Dictatorship Laws,” Ukrainian CSOs are also free to collaborate with and receive support from foreign donors. The country’s tax environment, however, is significantly less conducive. Corporations and individuals can make tax-deductible donations, but these deductions can be difficult to receive and cannot exceed 4% of the donor’s income. Nonetheless, and though these policies are hardly optimal, the current giving environment is markedly better than its Yanukovych-era predecessor.

Golos also argued that the definition of political activism was vague and subject to interpretation. Its defense ignored, Golos was fined 300,000 Rubles (some $5,000) and closed for six months.

Since the introduction of a “gay propaganda law” that prohibits public discussion of LGBTQ life, four LGBTQ organizations have been cited for violating the Foreign Agent Law. An internationally profiled organization, Rakurs (Perspectives), founded in 2007 to provide “socio-psychological and legal support to the LGBTQ community” in Arkhangelsk, was investigated by the MoJ in late 2014. Rakurs’ leader, Tatiana Vinnichenko, firmly denied the allegations of receiving foreign funds and undertaking political activities. While Rakurs had accepted funds from Scandinavian human rights groups in the past, she explained, it had not collected such funds since the introduction of the Foreign Agent Law. The MoJ still placed Rakurs on its registry and fined the organization, despite these objections. NGOs critical of Russia’s involvement in Ukraine are starting to appear on the MoJ’s list. Founded in 1991, Soldiers’ Mothers of Saint Petersburg works to “unite public efforts to protect the lives, health, and civil rights of draftees, service members, and members of their families.” In August 2014, after receiving complaints from parents who could not contact their sons in the military, Ella Polyakova, the leader of Soldiers’ Mothers and a member of Putin’s own Human Rights Council, discovered that one hundred Russian soldiers had been killed and three hundred wounded in an engagement with Ukrainian forces near the town of Snizhne. Polyakova publicly accused the Russian government of altering death certificates to cover up its involvement in Ukraine. Immediately thereafter, the MoJ began an extensive investigation, and on August 28, 2014, accused the organization of violating the Foreign Agent Law.

It is clear that the Foreign Agent Law is using bureaucratic burdens, mandatory inspections, closures, and hefty fines to handicap NGOs that fight for human rights and challenge government actions. While only a handful of the country’s approximately 220,000 NGOs have been investigated so far, the MoJ shows no sign of halting its investigations. More disturbing, the Foreign Agent Law has recently migrated to a number of former Soviet Republics. In the Kyrgyz Republic, Azerbaijan, and Tajikistan, Foreign Agent Laws nearly identical to Russia’s 121-FZ are being drafted and pushed through legislative bodies, creating a crackdown on philanthropy in Eastern Europe, Central Asia, and the Caucuses.
Whether measured by population, landmass, or the number of countries, Asia is the largest region in the study and has a commensurately diverse array of philanthropic environments. With the notable exception of the Philippines, the region’s countries generally score below average in all three of the study’s categories. For CSOs in most of the countries, registering can be particularly difficult due to restrictions on the kinds of activities permitted. While registration fees are not high by North American or European standards, given the region’s relative poverty, these fees can be a deterrent for many applicants. As such, prospects for more generous tax incentives are likely to depend on future growth. Asia’s environment for cross-border philanthropy is similarly underdeveloped. As a result, most of the region’s countries welcome international funding but offer few if any incentives for donors to give to other countries.

**China**

While the government has shown a growing willingness to permit small reforms, China’s philanthropic environment still has one of the study’s lowest scores, ranked at 52 out of 64. At present, the greatest barrier to Chinese groups is the country’s byzantine regulatory environment. Due to extensive documentation requirements, complex regulations, and the uncertain legal standing of CSOs in Chinese law, registration usually takes between one and three months and requires extensive documentation. The process is also expensive, and with fees averaging between approximately $8,000 and $48,000, costs substantially more than the average annual salary of a private sector worker. This regulatory environment is not onerous throughout all of China, however. Some provinces, most notably Zhejiang and Canton, deserve credit for instituting a series of local level reforms designed to address these and other issues.

“While the storm decimated the central Philippines and cost thousands their lives, civil society and philanthropic giving has ensured the country’s recovery.”
INDIA
Although consistent economic growth has helped grow philanthropy in India, the country nonetheless scores below average. Unfortunately, India pursues a number of policies which are inimical to philanthropic freedom, most notably the 2013 Companies Act. Under clause 135 of the Act, large enterprises are required to spend at least 2% of their annual net profit on social development. While this law will undoubtedly increase the resources available to Indian civil society groups, it is not consistent with philanthropic freedom, as freedom means both the freedom to give and not to give. India does, however, provide a generous tax environment for voluntary donations from individuals and corporations. Assuming the donation is made to an eligible organization, donors can claim up to 50% of the donation as a deduction, up to 10% of their gross income. These deductions, which are available to both individual and corporate donors, are relatively easy to receive and require only minimal documentation. This favorable environment does not extend to cross-border donations, and CSOs must receive permission from the country’s Home Ministry before receiving foreign contributions.

INDONESIA
Indonesia has neither a unified nor supportive philanthropic environment for its diverse ethnic groups spread over more than 13,000 islands. Though most of the country’s communities agree that philanthropy is a moral and valuable pursuit, this has not been reflected in government policies which, among other things, lack tax exemptions for CSOs. The government also places time-consuming reporting requirements on CSOs that receive foreign funds and subjects foreign entities to excessive residency and minimum asset requirements. Indonesian regulations governing the registration and operation of domestic CSOs are moderately more conducive to philanthropy, and permit the operation of both unregistered and foreign-founded organizations.

KAZAKHSTAN
Wary of the impact that civil groups have had in the revolutions of several of its neighbors, Kazakhstan continues to perpetuate a regulatory environment that is skeptical of civil society. The country places restrictions on registration, including minimums on the number of founders and limitations on the kinds of objectives organizations can pursue. Furthermore, current Kazakh law provides few alternatives to this registration process, as unregistered groups face even greater restrictions, which have been further reinforced by the 2015 update of the Administrative and Criminal Codes. This hostile treatment is not, however, limited to the registration phase. After registering, CSOs must still contend with restrictions on free expression, government surveillance, and the effectively unchecked ability of regulators to dissolve organizations at their discretion. The country’s tax environment is similarly unsupportive and provides limited tax deductions to corporate donors.

KYRGYZ REPUBLIC
Above average by regional standards, the Kyrgyz Republic boasts a comparatively favorable environment for philanthropy. Unlike many countries in the region, the Kyrgyz Republic places no real restrictions on the activities of CSOs, which can operate as either a registered or unregistered non-commercial organization. The country’s registration process is also inexpensive and simple, and allows...
both citizens and foreigners to serve as founders. The Kyrgyz Republic’s tax environment is, however, largely devoid of meaningful incentives for CSOs. Though CSOs can be exempted from VAT, sales, and income tax, receiving these exemptions is prohibitively difficult as it requires organizations to allocate no more than 2% of expenditures to administrative costs. Thus, most CSOs are dependent on foreign sources of funding. Fortunately, such donations can be easily received due to the country’s unobtrusive, but incentive-less, policies on cross-border donations.

MALAYSIA
With frequent contradictions between legal requirements and actual practices, Malaysia’s giving environment is plagued with uncertainty and inconsistency. Despite constitutional assurances to the contrary, the prevailing interpretation of the Malaysian Societies Act prohibits the formation and operation of unregistered organizations. For example, in 2014, the Malaysian Home Ministry banned COMANGO, a loose coalition of NGOs, on the technical grounds that some of its members were unregistered. While inexpensive at only $9, registration also takes between two and three months to complete. Furthermore, should an applicant be denied registration, Malaysia makes no provision for an administrative appeal, and over 200 applications were rejected in just 2011. More ominously, the Malaysian government has threatened to use various domestic security and counter-terrorism laws against CSOs. When coupled with the country’s meager tax incentives, these policies have resulted in a below average rank for Malaysia by placing its CSOs largely at the mercy of the country’s regulators and by stripping them of any effective means of legal recourse.

TYPHOON HAIYAN: PHILANTHROPIC FREEDOM SAVES LIVES
By Keira Alkema

On November 8, 2013, Typhoon Haiyan made landfall in the central Philippines, leaving a path of destruction in its wake. With thousands killed and millions displaced, businesses destroyed, and the region’s vital agricultural sector ravaged, damage estimates were as high as $15 billion. In response to the devastation, foreign governments and civil society organizations contributed an estimated $750 million in humanitarian aid. Unlike so many of its neighbors, the Filipino government places few restrictions on cross-border flows and the formation and operation of CSOs. This favorable philanthropic environment has allowed national agencies and international groups to coordinate a massive ongoing recovery project and distribute incoming aid both efficiently and effectively.

According to Filipino law, foreign emergency relief aid is duty exempt and VAT free so long as it is routed through federal relief agencies like the Department of Social Welfare and Development and the National Disaster Risk Reduction and Management Council. In such cases, VAT on foreign aid is covered by the government’s “General Appropriations” account. By routing all incoming funds for Haiyan relief through these agencies, the government was able to disperse Official Development Assistance and non-ODA funds and coordinate rapid recovery and long-term rehabilitation efforts. Thanks in part to this free-flowing government and private aid, the U.S.-based CSO, Fuel Relief Fund, was able to expeditiously provide $100,000 worth of desperately needed fuel to organizations assisting in the relief effort.
**MYANMAR**

One of the lowest scoring countries in both the region and the overall study, Myanmar's philanthropic environment has seen modest improvements. Notably, in 2014 the country approved significant revisions to the Association Registration Law. These revisions have liberalized the country’s regulations for CSOs by lifting the ban on unregistered organizations, easing geographical limitations on activities, and simplifying the registration process for CSOs. As a result, CSOs can now register within 60 days at a cost of between $100 and $500. The reforms were also complemented by the passage of the Revised Revenue Law in 2014, which introduced tax-deductible donations for both domestic and international donors.

**NEPAL**

The lowest scoring country in the region, Nepal has a poor environment for both philanthropy and civil society. Although the country’s interim constitution theoretically provides Nepalese citizens the right to peaceably assemble and associate, groups are nonetheless prohibited from acting without registration under the Association Registration Act. The illegal status of unregistered organizations is not, however, the only impediment to CSO operations. They must also contend with a ban on foreign founders, a lack of standardized reporting requirements, understaffed regulators, and unattractive tax incentives. While Nepal's tax code does allow exemptions, they are only granted on an ad hoc basis. Most CSOs are ultimately able to receive these exemptions, but the inconsistency of the process complicates an already uncertain regulatory environment. The philanthropic environment is further diminished by the country’s cross-

By December of 2013, just one month after the disaster, 3 million people had received food assistance, 35,000 households had received some form of rudimentary shelter (with plans in place to reach 478,000 more), and 80% of those living in Tacloban City, one of the metropolitan areas hardest hit by Haiyan, had access to clean water.

Although reconstruction after such extensive natural disasters is often protracted, the Philippines' vibrant third sector has remained a driving force in the long-term recovery effort. Cebu province Governor, Hilario Davide III, accurately highlighted the important role of civil society when he stated, “[Civil society is] increasingly important as we move from the response phase to rehabilitation and seek to [re]build.” Moreover, Filipino tax law adheres to a standard deduction process that allows for substantial domestic funding of CSOs. Facing few restrictions on their registration, organizational structure, and receipt of foreign aid, CSOs have thrived in the Philippines where they work closely with local governments to provide beneficial services to numerous communities around the country.

In response to the devastation wrought by Haiyan, Filipino CSOs like Citizens' Disaster Response Center (CDRC) and A Single Drop For Safe Water, used longstanding local and international connections to facilitate the transition from early national recovery to locally targeted long-term rehabilitation. In the immediate aftermath of Haiyan, CDRC provided emergency services including damage and capacity assessments and relief delivery operations. Over the last two years, CDRC has transitioned to monitoring the government’s recovery effort, advocating for Haiyan victims, and providing families with farm tools, animals, and seeds to rebuild the decimated agricultural sector. A Single Drop for Safe Water, in close partnership with both the Leyte Metropolitan Water Department and Oxfam, helped restore water services to 80,000 people in Tacloban City in December 2013 and has since worked to buttress the country’s water infrastructure against future typhoons.

The results of the relief effort speak for themselves. In 2013, the Philippines was the fastest-growing economy in Southeast Asia. Immediately following Haiyan, initial damage reports prompted many to worry about the future of the country’s economy. In the final quarter of 2013, however, the Filipino economy sustained a quarterly growth rate of 6.5% and an annualized growth rate of 7.2%. Such an achievement is no mean feat and should be attributed, at least in part, to the unrestricted flow of international aid and the operations of local CSOs in the aftermath of Haiyan. While the storm decimated the Central Philippines and cost thousands their lives, civil society and philanthropic giving has ensured the country’s recovery.
border regulations. These barriers not only prohibit Nepalese individuals from receiving funds without government permission, but also bar individuals and corporations from sending money, philanthropic or otherwise, outside of the country.

**PAKISTAN**

Though still troubled by periodic instability, Pakistan has one of the region’s better philanthropic environments. Aside from restrictions stemming from the country’s anti-terrorism laws, Pakistani individuals are generally free to form organizations, which are in turn accorded a reasonable degree of autonomy. The regulatory environment, however, still lacks a number of important elements, including consistently defined legal definitions, clear registration requirements, and an effective means of judicial appeal in cases of involuntary termination of CSOs. Fortunately, the country’s tax system has improved as demonstrated by the 2014 introduction of a newer and more transparent income tax exemption scheme for CSOs.

**PHILIPPINES**

With the highest scores in the region, the Philippines is proof that the quality of a country’s philanthropic infrastructure is not necessarily dependent on its level of development. Registration, which is optional, is managed by the country’s competent and motivated Securities and Exchange Commission, and requires the payment of a relatively inexpensive filing fee of approximately $24. Assuming an applicant’s documents are in order, registration can be achieved within one or two days, and even those that file improperly can become registered in only a few weeks. Free to pursue an essentially limitless range of activities with minimal government control, registered Philippine CSOs are also able to avail themselves of the country’s generous tax incentives. These incentives, which include eligibility to receive tax-deductible donations from both individuals and corporations, and exemptions from income taxes, are available to and utilized by a wide range of CSOs. When coupled with the country’s progressive environment for cross-border donations, these incentives have ensured that Philippine CSOs continue to be attractive to both foreign and domestic donors.

**THAILAND**

Though civil society has been an important source of growth in Thailand, relationships between politically active CSOs and the government have grown somewhat hostile. As a result, the regulatory treatment of a CSO can vary depending on its relationship with the government. For those organizations that are either apolitical or supportive of the government, Thailand’s regulatory environment is reasonably accommodative, and Thai CSOs are neither required to be registered nor to maintain a minimum amount of capital. Regulatory conditions are, however, considerably less favorable for those groups that are critical of the country’s government or monarchy. Fortunately, the country’s tax system is more even handed in its treatment of CSOs, and both individual and corporate donors can respectively claim deductions on 10% or 2% of donations made to registered entities that have been in operation for one or more years. Exemptions from income taxes are also available to a majority of Thai CSOs, although the process to receive them can be time and resource intensive. Finally, the country’s cross-border environment is only somewhat conducive to private giving, and individuals and organizations must obtain government permission before donating to foreign entities.

**VIETNAM**

Vietnam has one of the study’s least favorable environments for philanthropic freedom. The country’s one party government is particularly critical of what it argues are the overly Western values of civil society. While it is easy and relatively inexpensive to register a CSO, the process can take up to several months. Furthermore, it can be all but impossible to register if the organization wishes to work in sensitive areas, namely human rights and anti-corruption. The country’s political environment also affects the range of available tax donations. At present, individual and corporate donors can only claim tax deductions on donations made to a narrow range of government-aligned organizations. Finally, while Vietnam does not technically require organizations to obtain government approval before receiving foreign contributions, organizations that do not can be subject to accusations of participating in anti-government activities.
Country experts assigned a range of scores across all three categories of philanthropic freedom in South America. Argentina, Chile, Colombia, and Peru, generally provide a supportive legal framework for civil society. Tax incentives in these four countries are generally better than the study’s average. Furthermore, these incentives are similar in structure to those in Western Europe and include comparable policies on VAT, deductible donations, and deduction ceilings. The region’s overall performance is, however, undercut by the below average showings of Bolivia, Ecuador, and Venezuela. Relations between CSOs and governments are strained in these countries, and CSOs are generally regarded by regulators, and sometimes citizens, with distrust. As a result, regulators frequently focus their efforts on CSOs that engage in activities that are believed to undermine the government. CSOs, in some cases, contribute to this perception as country experts argue that civil society does not understand or practice transparency in their operations. In Argentina and Venezuela, CSOs must also overcome capital controls and foreign exchange regulations, which together have rendered cross-border giving all but impossible. Overall, South America has more diversity in its philanthropic environment with potential to improve overall scores through targeted actions in specific categories of philanthropic freedom.

ARGENTINA

Argentina has a legal tradition that recognizes the rights of association and also integrates a number of human rights treaties into its legal system. The country’s regulatory requirements are relatively benign and consist of a registration fee of between $50 and $100 and a reasonable list of documentation. Furthermore, the lower level Argentine bureaucrats that oversee these requirements are generally consistent, professional, and apolitical. Thus, Argentina has the potential to become one of South America’s better environments for philanthropic freedom. More senior level officials, however, routinely use the regulatory apparatus for political aims. By delaying
registration decisions, requiring additional documents, or questioning CSO founders, high-level officials can target groups that are seen as critical of the government. Argentina’s tax environment could be improved as well. While donors can claim deductions up to 5% of their gross income, receiving these deductions takes a year or more on average. Finally, Argentina’s capital controls present a major barrier to not only philanthropic transactions, but other transactions involving foreign currencies (See Argentine Capital Controls: Philanthropic Side Effects, below).

**BOLIVIA**

Bolivia once had one of South America’s more promising philanthropic environments, but today, its regulations are no longer as supportive. Though the country has a long-standing tradition of religious giving, various burdensome and confiscatory policies have weakened this giving over the last decade. Of these policies, Supreme Decree 26140 is particularly burdensome. The law technically sets forth the process for approving bylaws of CSOs that work with certain groups. In recent years, however, it has been used to target groups that are critical of the Bolivian government. Bolivia’s tax environment also lacks important incentives. In particular, there is no deduction scheme for individuals. While corporations can make donations and receive deductions, few choose to do so due to the low value of the deductions. Bolivian organizations were once free to independently determine their activities, but the current political environment has allowed the government a greater role in these events.

**ARGENTINE CAPITAL CONTROLS: PHILANTHROPIC SIDE EFFECTS**

By Bryan Schwartz

At the end of November 2001, suffering from an economic depression, many Argentinians withdrew large sums of money from their personal accounts, converted the currency to U.S. dollars, and deposited the resulting funds into offshore accounts. Panicked by this run on the central bank, the government responded by imposing strict capital controls referred to as *El Corralito*. Due, in part, to these drastic measures, the economy eventually stabilized.

The introduction of similar capital controls by Christina Fernandez de Kirchner’s government has not fared as well, with adverse effects on civil society and private giving.

Loosely defined as “any policy restricting locals from acquiring foreign assets (capital outflow) and/or restricting foreigners from acquiring local assets (capital inflow),” capital controls have been used to halt currency devaluation and solidify exchange rates since the early 20th century. Their utility and effectiveness is the subject of ongoing debate, however. While capital controls have helped prevent economic catastrophes, most recently in

**BRAZIL**

When compared to both South America and the world as a whole, Brazil’s regulations for civil society are only moderately progressive, and its legal-regulatory environment is particularly uneven. On the one hand, Brazilian CSOs are not required to register and the process is relatively easy for those that do. This process, which is open to foreigners, is competently managed and can usually be completed in less than two weeks. Brazilian CSOs can, and do, pursue a wide range of activities, although reporting requirements can be onerous depending on the location of the activities. On the other hand, Brazilian donors must contend with a tax environment that is complex and lacks meaningful incentives. Under the current tax regime, Brazil only provides incentives for corporate donors, which are capped at 2% of a corporation’s operating profit.
Largely due to the fact that few of the country’s provinces offer them, Brazilian CSOs are unable to obtain tax exemptions. Finally, while Brazil maintains no barriers to cross-border giving, it lacks incentives for groups and individuals to give abroad, and thus most giving remains inside the country.

**Chile**

The top performing country in South America, Chile has a philanthropic environment that combines sensible, if not generous, tax policies with an exceptionally flexible regulatory framework for CSOs. Registration is free, optional, transparent, and is overseen by a competent and motivated group of officials. Though the country maintains a minimum capital requirement for foundations, they only need to report the theoretical amount of capital they believe would be needed to carry out their activities. The country’s tax system is, however, less supportive of philanthropic initiatives. While Chile’s 4.5% income ceiling on tax deductions is slightly above average when compared to the rest of South America, its tax incentives are unexceptional when compared to many countries in Western Europe and North America. In addition, deductions are regulated by an inconsistent tax system, which has created uncertainty throughout the donor community. Fortunately, Chile’s relatively open economy ensures that cross-border philanthropic transactions can easily occur. While foreign donations are subject to VAT and service commissions, these costs have not significantly impeded cross-border giving.

**Colombia**

One of the region’s highest scoring countries, Colombia stands out for its consistent regulatory system and

<table>
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<th>Country</th>
<th>Overall Rank</th>
<th>Overall Score</th>
<th>CSO Score</th>
<th>Taxes Score</th>
<th>Cross Border Score</th>
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Iceland and Cyprus, they often inhibit or prohibit the flow of foreign capital to CSOs. More generally, researchers at the Federal Reserve Bank of St. Louis noted that, while capital controls may serve as a “stop gap before more permanent solutions can be formulated, their overall effectiveness deteriorates over time as consumers find ways to circumvent the controls.”

The introduction of Argentina’s restrictive capital controls in 2011 has caused CSO activity to decline. At the country’s peak, nearly 30% of the country’s population participated in some 100,000 CSOs. Today, less than 20% of the country’s population participates in activities organized by 80,000 CSOs. The new controls require foreign currency to go through the national banking system where, after an often lengthy processing period, the funds are converted to pesos at the official rate. Since the official rate is far lower than the black market rate, Argentinians and foreign investors often turn to illegal channels to exchange their currency. In 2014, millions of dollars were being exchanged on the black market every day. This unregulated financial flow, although based on a more honest exchange rate, is devaluing the peso and driving inflation ever higher. According to Fausto Spotorno, director of research for Orlando Ferreres and Associates, the fastest way to dismantle the black market is to remove capital controls. Although inflation would rise, the peso would eventually reflect its real value and philanthropy, freed from financial uncertainty and bureaucracy, could begin to grow again.

Historically, Argentina’s capital controls have functioned as a kind of therapeutic treatment. While they halted capital flight and paved the way for economic recovery in the early 2000s, the reinstatement of this particular therapy has had negative side effects on the body politic. Before the country can truly recover, the Argentinian government must reexamine the treatment or risk damaging both the economy and the country’s philanthropic activities.
willingness to pursue necessary, if painful, regulatory reforms. Colombian law provides numerous freedoms for CSOs, including the ability to form unregistered groups, pursue a wide range of objectives, and operate relatively unhindered. While registration and reporting requirements have grown in recent years, Colombian organizations can usually register in two to five days with little difficulty. The country’s tax environment is similarly supportive. Provided they do not exceed the 30% of income deduction ceiling, donors can claim a deduction on donations made to eligible organizations equal to 125% of its value. For CSOs, support also comes in the form of preferential tax treatment, which permits most of the country’s organizations to pay lower taxes on their net benefits.

**ECUADOR**

The lowest scoring country in the region and one of the lowest in the entire study, Ecuador suffers from a number of regulatory barriers impeding philanthropic activity. Ecuador’s constitution provides protections for both citizens and organizations, but they are rarely respected in practice and have been undermined by a number of laws and policies. Of these, few have been as problematic as Decree 16 in 2013. While ostensibly passed to update regulatory standards for CSOs, the decree’s vagueness has been used by government regulators to shut down organizations without due process. Decree 16 has also further complicated Ecuador’s already difficult registration system by imposing a new set of requirements on applicants. As a result, failure to adhere to registration requirements is currently the leading cause of CSO self-termination in Ecuador. The country’s tax environment is even less supportive, and neither CSOs nor donors are eligible to receive tax incentives of any kind. Finally, while the country’s regulations do not actively impede cross-border philanthropy, this treatment is more because the country lacks a comprehensive legal framework for such financial flows.

**PERU**

While the relationship between Peru’s philanthropic community and the government is still one of mutual distrust, gradual improvements have occurred. Following the ruling of the Constitutional Tribunal Sentence of 2007, which struck down Article 1 of the 2006 Law 28925, a number of registration requirements were lifted for NGOs. Furthermore, although NGOs continue to be regulated more strictly than the country’s foundations and associations, most organizations find Peru’s regulatory framework to be relatively flexible. The framework has also proved amenable to change, as evidenced by the passage of resolutions No. 086-2009-SUNARP-SN in 2009 and No. 038-2013-SUNARP-SN in 2013, which clarified its registration procedures. The country’s tax environment, however, has seen less progress. Technically, Peruvian law allows both individuals and corporations to claim deductions up to 10% of their annual income provided that the recipient is eligible to receive tax-deductible donations. Qualifying for this status, however, is a difficult process, one made only more onerous by the passage of Legislative Decree No 1120 in 2012, which has made it easier for the country’s tax agency to strip CSOs of their exempt status.

**VENEZUELA**

One of the lowest scoring countries in the region, Venezuela’s philanthropic environment is neither supportive nor consistent. One of the country’s more pressing problems is the inefficiency and corruption of its registration authorities. While Venezuelan law provides a theoretically straightforward and inexpensive registration process, regulators frequently subject applicants to various extralegal requirements. Although the government is aware of these and other issues, it has done little to stamp out endemic corruption. Interference from the government also affects the conditions for cross-border giving. Under the 2010 Law for the Defense of Political Sovereignty, organizations that engage in activities even tangentially related to political reform are prohibited from receiving foreign contributions. Furthermore, those groups that do receive permission to receive support from abroad must then contend with a currency control system that makes it prohibitively difficult for citizens to obtain foreign currency. Taken together, the currency control system and the effective ban on the foreign funding of political groups have ensured that few Venezuelans send or receive funds using official channels.
The country experts generally ranked the philanthropic environments in North America and the Pacific highly. While the countries are diverse and possess their own unique strengths and weaknesses, they do share a number of commonalities. First, and most obviously, the countries of North America and the Pacific are large service-based economies. With some of the most generous tax incentives in the world, and the United States and Japan alone accounting for over a quarter of world GDP, the region’s countries are some of the most important actors in the global philanthropic landscape.

Second, and partially as a result of the region’s prosperity, it is also a center of philanthropic innovation. Numerous advances in social investment, tax incentives, and service provision trace their origins to the region. These innovations have been encouraged by entrepreneurialism and experimentation. Third, most of the countries have pressing security concerns which have dampened enthusiasm for cross-border giving. Whether the United States’ ongoing involvement in the Global War on Terror or Mexico’s efforts to combat the flow of narcotics, funds, and materiel to its cartels, the countries have developed comprehensive controls for cross-border transactions. Although many of these controls are similar to those in Western Europe, the countries of North America and the Pacific lack the integrating influence of the European Union and the European Economic Area. As a result, some policies are often not well harmonized among countries.
AUSTRALIA
Australia’s philanthropic environment is decidedly disjointed. On the one hand, Australia maintains the region’s most favorable environment for the operation and registration of CSOs. With registration costing between $75 and $380 and taking between two and fifteen business days to complete, the barriers to CSO creation are lower than in most other countries. Similarly, Australia also maintains a flexible tax incentive system, one which allows donors to contribute cash, property, equities, or goods, and to spread such donations out over multiple tax years. While the Tax Office’s strict control of which groups are eligible to receive tax-deductible donations is concerning, neither corporate nor individual donors are subject to deduction ceilings. On the other hand, Australia has a variety of polices that are not necessarily designed to deter cross-border flows but do exactly that. Although its reporting requirements for foreign currency transfers are not out of line with other developed countries, its requirement that tax-exempt nonprofits must keep their operations principally in Australia is a barrier to philanthropic activities. The Government’s Overseas Aid Gift Deduction Scheme technically provides an avenue for Australian groups to retain their exempt status while working overseas. The scheme’s onerous requirements, however, are such that less than a quarter of one percent of eligible groups pursue it.

CANADA
Though the relationship between the current Harper government and certain CSOs, most notably those concerned with environmental causes, has grown increasingly strained since 2013, Canada nonetheless provides a very conducive environment for philanthropic activities. Provided they refrain from engaging in political activities, Canadian CSOs are free to pursue an essentially limitless range of objectives. To help them do so, and depending on the province, CSOs can benefit from a diverse array of tax incentives, including exemptions from income, property, and excise taxes. Furthermore, its deduction process, while complex, is comprehensive and allows all donors to claim deductions as though they were in the top marginal bracket. Canada’s 75% of taxable income ceiling for deductions is also one of the highest in the world, and even this cap is largely a formality that is regularly exceeded.

JAPAN
While the aftermath of 2011’s Great East Japan Earthquake still lingers, the crisis has only underscored the strength of Japan’s philanthropic environment. With a civil tradition that stretches back to the 17th century Ed period, Japan’s current system is notable for its fluidity and flexibility. Indeed, the regulatory environment for Japanese groups has changed significantly in recent years with the enforcement of a new set of Public Interest Corporation laws in 2008 and the passage of the Non-profit Organization law in 2012. Under the current regulatory regime, Japanese CSOs can register and operate with relative ease, although the reporting requirements for some types of Japanese organizations, such as Public Interest Corporations and Approved Specified Nonprofit Corporations, can be onerous. Tax conditions for CSOs are also conducive to private giving. By taking advantage of income and residential tax deductions, donors can claim up to 50% of a donation on their tax bills, provided that they do not exceed the country’s deductible ceiling of 40% of total income. Japan maintains a variety of policies designed to combat Illegal Financial Flows, particularly reporting requirements for overseas transactions over 5 million yen or $38,000. These policies can also adversely affect philanthropic activities.

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**MEXICO**

Mexico has the lowest ranking in the region, yet its performance is still significantly better than average when compared to countries outside of the region. Its registration process is relatively uncomplicated, requiring a reasonable amount of documentation. The role of the government’s *Juntas de Asistencia Privada*, or Private Charity Boards, should, however, be noted. Under Mexican law, CSOs which are managed on behalf of a founder by trustees, known as *Patronatos*, must be supervised by the Charity Boards. These official boards can wield significant influence over their charges, as decisions concerning dissolution, fundraising, and budgets must be approved by them. The role of government officials can also pose problems for organizations attempting to gain authorized donee status. The status, which allows organizations to accept tax-deductible donations, requires certification from an authorized official, something which, depending on the region, can be difficult to obtain. Furthermore, Mexico’s tax environment for cross-border philanthropy lags behind most of those in the region. The country’s double taxation treaty with the United States, does, however, ensure that identical tax incentives are provided to donors and recipients sending money across the Mexico – U.S. border.

**NEW ZEALAND**

While its philanthropic groups may lack the size of others in the region, New Zealand’s philanthropic groups are just as active. Other than nominal filing fees, CSOs in New Zealand can register without cost and are not subject to minimum capital requirements. Similarly, the country’s reporting requirements, while comprehensive, are nonetheless flexible and can be scaled according to the size of the organization. This same accommodating treatment of CSOs can also be found in New Zealand’s tax regime. So long as a donation is made to a recipient with donee status and is used domestically, both individual and corporate donors can claim a deduction on up to 33% of it. These already generous incentives are further enhanced by New Zealand’s decision to set its ceiling for deductions equal to the donor’s income. This favorable treatment is not fully extended to cross-border donations, however, and New Zealand provides income exemptions to philanthropy that is used only for domestic purposes.

**THE UNITED STATES**

As the top performing country in the region and the second best performing in the study, the United States has an almost unparalleled environment for private giving. Philanthropic activity is widely practiced and is generally, but not always, supported by public policies. Registration, while optional, is constitutionally protected under the freedom of association, and organizations are free to engage in a wide range of activities. Concerns have been raised, however, over the Internal Revenue Service’s recent handling of the registration of several politically conservative organizations. Furthermore, the registration process itself can be time-consuming and, depending on the size of the organization, costly. Registration is still desirable for many, particularly as legal recognition is required to access the country’s tax incentives. Individuals and corporations are able to receive full deductions on any donations made, up to 50% of an individual’s tax income or 10% of a corporation’s pre-tax income. U.S. CSOs can also apply for exemptions from Federal taxes. While the U.S. philanthropic sector remains heavily involved in overseas activities, rules passed in the wake of 9/11 and the Global War on Terror have subjected cross-border donations to additional scrutiny and delays. Federal policies have been particularly effective in keeping contributions from reaching terrorist organizations. While it is not clear if these policies have actually reduced global giving, they have undoubtedly complicated it.
## Scores and Rankings

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The survey assessed philanthropic freedom by analyzing three indicators: (1) the ease of forming, registering, operating, and dissolving CSOs; (2) the range of tax incentives available to CSOs and domestic donors; and, (3) the ease of engaging in cross-border philanthropic transactions. To capture these three indicators, CGP developed a total of seven questions:

1. To what extent can individuals form and incorporate the organizations defined?
2. To what extent are CSOs free to operate without excessive government interference?
3. To what extent is there government discretion in shutting down CSOs?
4. To what extent is the tax system favorable to making charitable donations?
5. To what extent is the tax system favorable to CSOs in receiving charitable donations?
6. To what extent is the legal regulatory environment favorable to receiving cross-border donations?
7. To what extent is the legal regulatory environment favorable to sending cross-border donations?

Each of these seven questions was accompanied by guidance in three areas. First, experts were provided with an explanation of an optimal “Ideal Scenario,” representing a score of five, followed by descriptions of scenarios for lower scores of four through one. In so doing, the ideal scenarios were intended to provide guidance to the study’s experts on what criteria should be used when evaluating the country. Second, experts were asked to use the Ideal Scenario to provide a score of between one and five, with a score of one representing conditions that are most restrictive of philanthropic freedom and a score of five representing conditions that are most conducive to philanthropic freedom. Finally, experts were also asked to provide a 300-word narrative justifying and explaining their scores as well as providing any relevant cultural and socio-economic information.

To compute the overall score, and by extension the overall rankings, CGP staff had to first compute the scores of the three indicators. To calculate the score for the first indicator on CSO regulations, CGP averaged the scores of the first, second, and third questions. To calculate the score for the second indicator on the country’s tax environment, CGP averaged the scores of the fourth and fifth questions.

The data presented in this study were collected using an expert opinion survey, the full version of which can be accessed on the website of the Center for Global Prosperity, www.hudson.org/cgp. Administered to 63 experts representing 64 different countries, the questionnaire was designed by CGP staff with assistance from our partner, the International Center for Not-for-Profit Law, and advisory board members.
To calculate the third indicator on a country’s cross-border environment, CGP averaged the scores of the sixth and seventh questions. After the scores for each of these three indicators were computed, they were then averaged to produce a country’s overall score.

To improve the Index’s quality and consistency, scores and narratives were subjected to a three stage review process. First, all country experts’ surveys were carefully reviewed and edited by CGP staff. These edits consisted primarily of grammatical corrections and clarification of information and were incorporated with the permission of the country experts. CGP staff also conducted a thorough review of country philanthropic background information and other data to help reference, confirm, and clarify country experts’ assessments. Second, the scores, rankings, and country narratives were read and analyzed by CGP’s advisory board. Their comments, edits, and score change recommendations were incorporated into the analysis by CGP.

Third, 32 of the surveys were then further analyzed by a set of secondary reviewers, who are listed on page 45. These reviewers, drawn from philanthropic, legal, and academic communities, were asked to verify both the details of the country experts’ narratives and the plausibility of the assigned scores. At the conclusion of the evaluation, the reviewers flagged 26 countries for score changes. CGP made the suggested changes and then sent them to country experts. Country experts had the opportunity to submit a statement to the Index defending their original scores. None, however, chose to do so.

**EXPLANATORY NOTES**

On Anonymous Credits: Respecting the requests of some of the study’s experts, the Center for Global Prosperity listed experts as anonymous and excluded their institutional affiliations.

On Tax Environments: Neither Saudi Arabia nor Qatar levy taxes on the incomes of their citizens and organizations. Saudi Arabia does levy taxes on foreign corporations, although there are no charitable deductions for those who do pay taxes. Thus, in question four and part of question five, there can be no scores reflecting tax deductions, exemptions, and credits in these countries. As a result, Saudi Arabia and Qatar received the lowest possible score on question four. On question five, the countries were not limited to the lowest possible score as there is a non-tax part of the question which asks whether CSOs in the country can receive support from private donors. The two countries are unique because they do not have a tax regime comparable to the rest of the 62 countries in the study. This makes their scores on question four the lowest possible, thus lowering overall scores. The literature on philanthropy and tax systems does show a correlation between tax incentives and philanthropic giving, so the tax indicator reflects an important element of philanthropic freedom in the overwhelming majority of cases.

On Currency: Unless otherwise noted, all currencies are denominated in 2014 United States dollars.
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