

## Measuring Philanthropic Freedom across Countries

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### 1. Abstract (250 words maximum)

Philanthropy exists across diverse global cultures, religions, and geography. The role that policies and institutions have on the philanthropic landscape across countries has received far less attention in the literature. In this paper, by using a newly developed index, the 2015 Index of Philanthropic Freedom (IPF), we examine the enabling environment for philanthropy and the factors that explain cross-national differences. We first develop the theoretical framework for studying the enabling environment for philanthropy. Second, we assess whether the 2015 IPF adequately measures the enabling conditions for philanthropy across countries. Third, we explore the relationship between the 2015 IPF and other established measures of political and economic freedom. Correlation analysis yielded higher levels of association between the IPF and indices measuring socio-political enabling conditions, and lower with indices assessing socio-economic conditions. Furthermore, correlations between the IPF and socio-political conditions are stronger in countries with higher human development levels. By studying the enabling environment, the paper contributes to knowledge of how barriers and incentives to philanthropy across national contexts interact to create enabling conditions for philanthropy.

**Keywords:** enabling conditions, composite indicators, philanthropy, civil society organizations.

### 2. Introduction

During the past two decades, the role of philanthropy in addressing human challenges and strengthening civil society has received considerable attention. Where national governments face resource constraints, there is a growing interest in understanding the role that philanthropy can play in addressing urgent societal needs globally. However, there are very few resources that can provide comparative information about the philanthropic environment, taking into consideration the cross-national differences in the regulatory and policy contexts surrounding philanthropy. One challenge with studying conditions that influence philanthropy at the country level is that a complex array of economic, political, administrative, and socio-cultural factors together shape the environment for philanthropy (Brinkerhoff, 2004). This evolving environment creates challenges to develop an adequate construct to measure the enabling conditions within a country and across countries.

Global indices are important tools to analyze the effectiveness of public policies and programs, and benchmark national policies. Indices often provide a map of current conditions, helping identify current problems and priority issues, and establishing a baseline for performance comparisons (Marshall & Rowberry, 2013). Global indices are also important tools facilitating communication and activism. For instance, the *Freedom of the World's* ratings have been called a “crucial tool for pro-democracy activists” and an invaluable way to package “a complex phenomenon into a powerful, easily-understood message” (Lozovsky, 2016, p.1). Other indices like the World Bank’s *Doing Business* provides reliable information on the conditions to start and operate a business in 190 countries. Results are used “to analyze economic outcomes and identify what reforms of business regulation have worked, where and why” (World Bank, 2017, p.5). Either through detailed and powerful narratives or through quantitative data, indices illustrate the status and evolution of key issues of global interest in a wide range of fields.

Although global indices on the enabling environment have been developed in other domains, this is still a new concept with the philanthropic sector. The Index of Philanthropic Freedom (IPF) was developed to contribute to policy dialogue on the overall infrastructure and development of the nonprofit sector by improving the environment for civil society organizations (CSOs) (Center for Global Prosperity, 2015). The IPF was first conducted by the Hudson Institute’s Center for Global Prosperity (CGP) in 2013 as a pilot study with 13 countries. In 2015, the CGP published the first complete IPF report, including 64 countries from all over the world. The 2015 IPF assessed each country’s philanthropic environment on a scale of 1 to 5 by examining seven indicators that fall in three broad factors: CSO Regulation, Domestic Tax Policy, and Cross Border Flows.

In this paper, the main research question we examine is: How is the enabling environment defined and how does this environment vary across countries? We use a newly developed index, the 2015 IPF, as a measure of the enabling environment for philanthropy at the country level. We first investigate whether the 2015 IPF adequately measures the enabling conditions for philanthropy, and then explore how the 2015 IPF construct differs from the established political and economic composite indices.

The remainder of this paper is organized into five sections. First, we examine the contextual framework for studying the enabling environment, and the role of government and economic policies, legal and institutional factors, as well as socio-cultural influences in explaining cross-country differences (Section 3). Next, we discuss the methodologies and data we used in the study (Section 4). Last, we present research findings (Section 5) and provide a discussion on the results and implications (Sections 6 and 7). By assessing the enabling environment for philanthropy across countries, this paper contributes to knowledge of incentives and barriers to philanthropy

across national contexts. The study also provides an evaluation of the validity of the 2015 IPF as a measure of the enabling philanthropic conditions at the country level, and suggests areas for future improvement of the index.

### 3. Conceptual framework: Philanthropic freedom

Philanthropic freedom, defined as the existence of an enabling environment for philanthropy, explains the way that specific environmental conditions affect CSOs. Drawing from the concept of an enabling environment developed by Thindwa, Monico, and Reuben (2003) and the concept of liberty by Berlin (1969), we define the enabling environment for philanthropy as an environment that provides adequate incentives and restrictions to positively influence the capacity and propensity of individuals and organizations to freely engage in philanthropic activities in a sustained and effective manner. This enabling environment is the product of a set of interrelated conditions that are the result of both the deliberate policy choices made by government actors and a country's historical, cultural and socio-political practices, traditions, resources and legacies.

The IPF focuses its analysis on how regulatory and fiscal conditions affect the operation of CSOs. "The foundation of this 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" (Center for Global Prosperity, 2015, p.4). The main units of analysis within the study are CSOs.<sup>1</sup> In the IPF, CSOs are defined as "...a wide range of groups including the following: community groups, non-governmental organizations (NGOs), labor unions, indigenous groups, charitable organizations, faith-based organizations, professional associations, and foundations" (Center for Global Prosperity, 2015, p.5).

Thindwa et al. (2003) explains that the health of an enabling environment depends on certain external conditions, which we define as *enabling conditions*, such as "the legal and regulatory framework, the political and governance context; socio-cultural characteristics, and economic conditions" (p. 3). In addition to these external factors, there are factors internal to civil society, for example, "accountability, representation, legitimacy, institutional and organizational capacities, self-regulation, and institutional relationships" (p. 4). These internal and external enabling conditions influence specific "*enabling elements*" that are essential to the effectiveness of civil society as a key determinant of development; in our case, essential to the role of civil society in the development of philanthropy. The enabling elements embody the definition of five fundamental freedoms that support philanthropy: freedom of association and peaceful assembly; freedom of expression and belief; freedom of information; freedom to mobilize financial resources to fulfill the objectives of the organization; and pluralism or provision to individuals and groups outside government to exercise voluntary initiative for social change (Payton, 1987). This includes political independence and the existence of spaces for negotiation and rules of engagement for public debate (Anheier, 2005).

This categorization of enabling conditions and enabling elements is used in this study to identify the indicators to measure philanthropic freedom and determine how the 2015 IPF is associated with contextual enabling elements and other conditions associated with political and economic freedoms.

Following, we discuss insights from previous literature on the relationship between philanthropic environment and other country-level indicators. We also discuss our hypotheses developed from prior literature.

Conditions such as a favorable legal and regulatory framework and political and governance context; the socio-cultural characteristics and economic conditions; and the capacities of the civil society influence the existence of the necessary freedoms that are essential to the effectiveness of CSOs as key determinants to the advancement of philanthropy. It is important to note that these conditions do not occur in isolation; they interact to either improve or reduce the quality of the environment for philanthropy.

Given that the 2015 IPF directly measures the regulatory and fiscal enabling conditions for philanthropy, we expect significant relationships between the IPF and other indices measuring political and economic enabling conditions within a country, since the legal framework largely influences the fundamental freedoms that support philanthropy (enabling elements). Therefore, we hypothesize that:

*Hypothesis 1:* An enabling environment for philanthropy is significantly associated with an enabling political environment.

Moreover, correlations between the 2015 IPF and indices measuring political and economic environments can inform the capacity of the IPF as a measure of philanthropic freedom. Very high correlations may indicate that the IPF and other indices use similar indicators to measure different constructs, which may be a threat to the discriminant power of the IPF.

While there is literature consistently showing the contributions of philanthropy to economic development (Giuliano & Ruiz-Arranz, 2009; Newland & Patrick, 2004; Orozco & Garcia-Zanello, 2009; Trokic, 2016) and the relationship between economic growth and giving within one country (Heinemann, 2010), it is difficult to find comparative studies measuring the conditions for philanthropy in countries in different stages of economic growth. Wiepking and Handy (2015) found a linear correlation between the level of social expenditure as a percentage of GDP and the number of nonprofits per 1,000 habitants in the countries included the global

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<sup>1</sup> This is similar to the World Bank's *Ease of Doing Business* index, where businesses are the units of analysis.

philanthropy study. In consequence, we expect that countries with higher economic growth have better conditions to stimulate philanthropy either in the form of tax incentives or through other favorable regulations and government policies, and hypothesize that:

*Hypothesis 2:* An enabling environment for philanthropy is significantly associated with an enabling economic environment and higher economic growth.

In addition, other socio-political factors also provide the building blocks to the construction of enabling conditions for philanthropy (Wiepking & Handy, 2015). When these factors interact harmonically in a society with a favorable regulatory and fiscal framework, the conditions for philanthropy improve substantially. In the comparative study examining the conditions that facilitate the growth of international nongovernmental organizations (INGOs) in 126 countries, Lee (2010) found that democracy promotes the growth of INGOs because of the freedom of association and expression. This study also revealed that high income countries have more financial and material resources to facilitate the development of INGOs. In addition, citizens in richer countries tend to participate more in activities of domestic and international NGOs. If we assume that the way a legal framework is implemented shapes, and is shaped by, the interplay of economic and political factors within a country, it seems likely that in countries with higher development levels, the regulatory and fiscal environment for philanthropy is more strongly associated with higher levels of political and economic freedoms, and that these levels of association decrease in countries with lower levels of economic development. Therefore, we hypothesize that:

*Hypothesis 3:* The size of the relationship between an enabling philanthropic and political environments is stronger in countries with a higher level of human development.

*Hypothesis 4:* The size of the relationship between an enabling philanthropic and economic environments is stronger in countries with a higher level of human development.

Lastly, an enabling philanthropic environment provides the conditions for individuals and organizations to freely and voluntarily practice philanthropy (Wiepking & Handy, 2015). It is expected that countries with higher levels of philanthropic freedom, where the regulatory and fiscal environments for charitable giving are more favorable, are also the countries with higher levels of civic engagement. Therefore, we expect a high level of correlation between the 2015 IPF and civic engagement measured as people's inclination to give money, time, and assistance to others in need (Gallup, 2016). We hypothesize that:

*Hypothesis 5:* An enabling environment for philanthropy provides the required conditions to increase public civic engagement.

#### **4. Data and Methodology**

##### *4.1 Methodology*

We first used thematic analysis to analyze current literature on philanthropy around the world. This analysis served to unpack the enabling conditions into key economic, political, administrative, and socio-cultural features (Brinkerhoff, 2004) of society that show the way government and nonprofits interact to influence philanthropy, and lead to conclusions about the capacity of the 2015 IPF to measure all previously enabling conditions for philanthropic freedom. The review identified 75 studies published between 2000 and 2015 from 69 countries in six different regions in the world, including North America, Central & South America, Asia, Africa, Europe, and Australia. Two sub-regional studies and four cross-regional studies were also included in the review. The sample included countries in different stages of development. The selected 75 articles used different units of analysis: Non-government/Nonprofit organizations (20), Civic society organizations (17), International philanthropy/INGOs (10), Corporate philanthropy/CSR (10), Diaspora philanthropy (4), Institutional philanthropy (3), Community-based foundations (1), Grassroots philanthropy (1), Formal volunteering (1), plus a group of six studies referring to philanthropy as a national sector.

Then we conducted pairwise correlations to measure how the 2015 IPF construct relates to established political and economic composite indices measuring political and economic environments, and civic engagement.

##### *4.2 Measure of philanthropic freedom*

We used data from the 2015 IPF as the main measure of philanthropic freedom in the study. The IPF measures the barriers and incentives that individuals and organizations encounter when donating to social causes and institutions around the world, within and across countries (Center for Global Prosperity, 2015). The 2015 IPF uses seven indicators of the regulatory and fiscal environment for philanthropy, reflecting each country's philanthropic culture and political willingness to support the development of philanthropy. These indicators are 1) Ease of forming and incorporating a CSO; 2) Freedom to operate a CSO without excessive government interference; 3) Government discretion in shutting down a CSO; 4) Tax incentives and barriers to make domestic donations; 5) Tax incentives and barriers to receiving domestic donations; 6) Tax incentives and barriers to make cross-border donations; and 7) Tax incentives and barriers to receiving cross-border donations.

The IPF uses a methodology similar to the one used by the Freedom House’s *Freedom in the World* index, the World Bank’s *Doing Business* project, the World Economic Forum’s *Global Competitiveness* report, and the Bertelsmann Stiftung’s *Transformation Index*, as all of them collect data through expert questionnaires. However, the *Transformation Index* and *Doing Business* both use standardized instruments. *Freedom in the World* and the IPF both use questionnaires that include guiding questions for scoring each indicator. Similar to the methodology used in *Doing Business*, the IPF includes the presentation of ideal scenarios.

The assessment of the IPF indicators is made by country experts—one per each country, who completed a thorough questionnaire consisting of seven questions around the seven indicators. Country experts assessed each indicator on a 1 to 5 scale, providing a narrative to justify each score. To guide scoring and narrative development, the questionnaire included an ideal scenario, score parameters, and a set of guiding questions. Country experts were asked to provide narratives to address the key aspects raised in the guiding questions applicable to each country. Then, their scores and narratives were reviewed carefully by CGP staff, expert secondary reviewers, and the advisory board.

The 2015 IPF used a dual system of scores and ratings. First, the seven indicators were grouped into three major factors: 1) regulations for CSO formation, operation and dissolution; 2) laws and regulations governing fiscal incentives and disincentives of giving and receiving donations domestically; and 3) laws and regulations governing fiscal incentives and disincentives of giving and receiving donations across the border. Next, scores for each of these three factors were calculated based on the average score of each indicator included in a factor. These three factors carried equal weight in the calculation of the overall score for each country.

#### 4.3 Measures of political environment, economic environment, and civic engagement

A total of 13 global indices were included in the analysis, representing 18 types of indicators. These indices and the key indicators used for their operationalization are listed in the Appendix. The main indices we analyzed are also listed below:

- *Political environment*: Freedom House-Freedom in the World Index (2016);
- *Economic environment*: Heritage Foundation Index of Economic Freedom (2016) and GDP per Capita (2016);
- *Human development*: United Nation’s Human Development Index (2015); and
- *Civic engagement*: Gallup 2016 Global Civic Engagement Index.

## 5. Results

### 5.1 Descriptive statistics

The 2015 IPF included 64 countries, representing about 80 percent of the world’s population and 87 percent of the world’s gross domestic product (GDP) (Center for Global Prosperity, 2015). Table 1 presents the 2015 IPF score of each country by region.

Table 1 The average score of philanthropic freedom in the 2015 IPF, by country and region

Country	Average IPF Score	Country	Average IPF Score	Country	Average IPF Score
<b>Region: Northern America and The Pacific</b>		<b>Region: The Middle East and North Africa</b>		<b>Region: Western Europe</b>	
Australia	4.2	Egypt	2.2	Austria	4.2
Canada	4.6	Jordan	3.3	Finland	4.4
Japan	4.4	Lebanon	3.2	France	4.5
Mexico	3.8	Qatar	1.8	Germany	4.7
New Zealand	4.4	Saudi Arabia	1.7	Ireland	4.3
United States	4.7	Tunisia	3.4	Italy	3.8
		Turkey	3.1	Netherlands	4.8
<b>Region: South America</b>				Portugal	4.2
Argentina	3.6	<b>Region: Sub-Saharan Africa</b>		Spain	4.3
Bolivia	3.2	Ethiopia	2.5	Sweden	4.5
Brazil	3.6	Ghana	3.1	United Kingdom	4.2
Chile	4.1	Kenya	3.2		
Colombia	3.8	Liberia	3.7	<b>Region: Central and Eastern Europe</b>	
Ecuador	2.4	Nigeria	2.6	Albania	3.4
Peru	3.8	Senegal	3.6	Azerbaijan	2.8
Venezuela	2.7	South Africa	3.7	Belarus	1.9
		Tanzania	3.8	Croatia	3.8

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Region: Asia		Zambia	3.1	Georgia	3.9
China	2.7			Hungary	3.7
India	3.2			Poland	4.5
Indonesia	2.5			Romania	4.1
Kazakhstan	3.2			Russia	2.9
Kyrgyz Republic	3.5			Serbia	3.9
Malaysia	3.2			Ukraine	3.7
Myanmar	2.4				
Nepal	1.9				
Pakistan	3.2				
Philippines	4.1				
Thailand	3.5				
Vietnam	2.6				

## 5.2 Content validity of the 2015 IPF

We then examined the adequate content validity of the 2015 IPF as a measure of the enabling conditions for philanthropy within a country and across countries. Particularly, we aim to assess if the IPF adequately considered the underlying conditions for philanthropy that could be applied to assess philanthropic freedom in countries with different political, economic, and social conditions and different levels of philanthropic development.

*Regulatory and fiscal factors.* Research shows that the regulatory and fiscal environments enabled by government policies and actions are determinants for shaping philanthropic activities (Bakija, 2013; C. Duquette, 1999; N. Duquette, 2014; Moore & Rutzen, 2011; Salamon & Toepler, 2000), confirming the strength of the indicators used by the CGP to measure the Philanthropic Freedom. Regulations, or lack of regulations, and failures of implementation were found in prior studies to be also barriers for philanthropy. In some Asian countries, the lack of regulations that cover all ranges of CSOs has been a barrier to the growth of the sector (Chao & Onyx, 2015). Wang, Graddy, and Morgan (2011) found that the complexity of the tax system in Japan, China, and South Korea discouraged individual donors from contributing to philanthropic institutions. Anand and Hayling (2014) similarly discussed that tax collection policies in South East Asia were poorly designed and difficult to enforce.

Political barriers to cross-border philanthropy are important for free philanthropic activities. The 2015 IPF report found that, while foreign exchange and financial flow regulations remain obstacles for philanthropic freedom in many developing countries, preventing civil social organizations from receiving international funds political and economic restrictions have also been an obstacle (Center for Global Philanthropy, 2015). In countries with currency control systems, like Venezuela, Bolivia, China, Egypt, Georgia, India, Myanmar, Pakistan, Russia, and South Africa, cross-border donations are subject to tight government control. In countries like Russia, the increasingly hostile treatment of foreign donations made to local organizations to minimize the influence of the human rights community and political reformers have compromised the ability of international donors to support developing economies (Center for Global Philanthropy, 2015). Further, while in Bolivia the government criticizes organizations that receive international funding, alleging interference and causing media attacks and public distrust towards these organizations (Eróstegui, 2013), donors and international CSOs in Nigeria are increasingly partnering with local groups and corporations to build capacities (R. Etuk & G. Etuk, 2013).

Governance and political conditions seem to have a great weight in the development of the sector, especially in less developed countries. In the 2015 IPF, several country experts alluded to the relationships between government and CSOs. Some of the most frequently mentioned topics were government restrictions and lack of support to CSOs, as well as government control of and tensions with CSOs. Other issues raised by experts were government administrative capacity to regulate or support CSOs, political stability, and poverty. The issue of tensions with government and the independence of the sector was raised by experts in 16 countries, all of them from developing countries in Asia, Latin America and Africa.

In addition to the factors identified above, meta-policies, or “overarching philosophy implicit or explicit- about the appropriate roles of the state and the nonprofit sector” (Phillips & Blumberg, 2017, p.330) have a great role in conditioning the relationships between government and nonprofits and therefore in affecting the growth of the sector. These meta-policies may or may not arise from a base of mutual agreement and can lead to an environment that is favorable to philanthropy or presents serious restrictions not always explicitly established by law. Appe and Layton (2016) explain that besides an unfavorable legal framework, most countries in Latin America are characterized by mutual distrust between government and the nonprofit sector, government ignorance of the sector, added to reluctance to build up capacity. Even in countries like Mexico and Colombia where the government is starting to build complementary relationships with nonprofits, these organizations are still submitted to restrictions imposed by government officials (Appe & Layton, 2016). More evidently, in some Arab countries, the political environment (repressive regimes, militarization, problems of peace and security) and the power of ruling elites limit the scope of the nonprofit sector (Samad, 2007). Several of the reviewed studies take into account the financial and political interdependence between government and nonprofits (Layton, 2010; Sidel,

2008; Wang et al., 2011); and the conditions that cause the appearance of informal and/or alternative philanthropic structures to respond to restrictive government controls (O'Halloran, 1999; Marquis, Zhou, & Yang, 2015; Yoder, 2010).

*Socio-economic and cultural factors.* Research also revealed that in addition to the regulatory and fiscal framework, several socio-cultural conditions of a country have important influence on the development of philanthropy. Wiepking and Handy (2015) identified eight facilitating and inhibiting forces in determining why individuals freely and voluntarily practice philanthropy. The list includes not only fiscal and regulatory conditions, but also socio-cultural and socio-political factors, as well as the state of development of the philanthropic sector. The socio-political and socio-cultural factors discussed by Wiepking and Handy include: 1) a culture of philanthropy ("people perceive that philanthropy and the nonprofit sector are instrumental in the provision of public goods and services" (p.611), and people openly discuss their giving); 2) public trust (people's faith that their donations will facilitate the changes they envision and their perceptions of transparency, effectiveness and accountability); 3) the state of the philanthropic sector (existence of an organized sector and increased professionalism; existence of peak or umbrella organizations; high levels of intra and cross-sectorial communication and collaboration); 4) political and economic stability or growth (political and economic uncertainty influence giving behavior); and 5) demographic changes (religiosity, age, wealth and education).

The study by Epperly and Lee (2015) in Eastern European countries and the former Soviet Union from 1998 to 2007 found that the levels of corruption, democracy, and the level of economic development are all consistently related to the level of NGO sustainability, and specifically to the legal environment and financial viability of the NGO sector. Appe and Layton (2016), on the other hand, considered that in Latin America socio-economic factors influenced the evolution of the government–nonprofit relationship. Similarly, Jamali (2014) discussed that, in developing countries, socioeconomic circumstances shaped corporate social responsibility to address priority social issues and gaps found in these countries. On a similar note, Deng (2015) revealed that in China the wealthy used their influence and social networks to increase the autonomy, capacity, sustainability and impact of NGOs. This influence, according to the author, has contributed to the rapid development of the Chinese NGO sector, despite obstacles with a poor regulatory framework and important government control and intervention.

Other researchers have also previously identified the effects of social and cultural barriers on philanthropy. In Asia, the greatest barrier mentioned in several studies refers to people's low credibility and legitimacy of philanthropic organizations due to lack of accountability and transparency in the way donations are managed (Anand & Hayling, 2014; Chao & Onyx, 2015; Velasco, 1996; Wang et al., 2011). While in several African countries, the lack of vision of the transformative role of CSOs, together with low social capital (Samad, 2007), have been mentioned as hindering factors to philanthropic development. Similarly, Wang et al. (2011) argue that factors like the vitality of the nonprofit sector, and the lack of public understanding of and support to institutional philanthropy, have undermined the development of community-based foundations in East Asian countries. Layton (2010) explains that in Latin America, the culture of solidarity exists, but people prefer to use informal channels of giving both money and time directly to the needy instead of doing it via philanthropic organizations. One possible reason is that people have a fuzzy image about these organizations, their role in society and contribution to welfare (Dides, Nicholls, Fernández, Bozo, & Salazar, 2015).

The existence of social capital -individuals' association networks and trust in others and the community (Brown & Ferris, 2007; Wang & Graddy, 2008) - is also considered an important condition to philanthropic giving. Particularly, Wang and Graddy (2008) found that social capital fosters charitable giving and that individuals with broader networks and trust in others give more to secular and religious causes. Further, Brown and Ferris (2007) found that the impact of education and religion on giving is due in large part to their roles in fostering social capital.

In the 2015 IPF, experts were also asked about the socio-cultural environment for philanthropy. In response to this open-ended question, country experts identified socio-cultural conditions, such as public perception of philanthropy, socio-historical development of the sector, and societal values and beliefs.

In conclusion, this thorough review of existing literature suggests that the 2015 IPF adequately considered the legal and fiscal conditions for philanthropy, and included discussions on socio-economic and cultural factors that influence philanthropy to some degree. The large body of literature on enabling and restrictive conditions for philanthropy around the world reflects the importance of broadening the scope of the 2015 IPF to be inclusive of the factors that reinforce or hinder the regulatory and fiscal conditions for philanthropy.

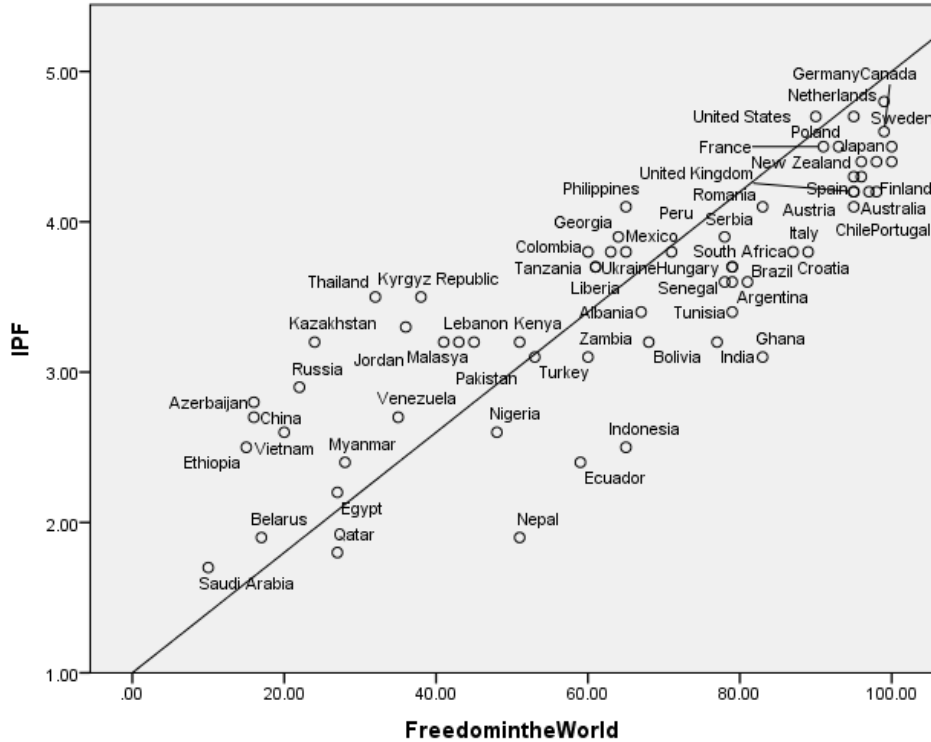
### *5.3. Relationship between the enabling philanthropic and political environments*

The section and the following sections explore how political and economic factors are related to the 2015 IPF scores. We examine whether the operationalization of the IPF diverges from the way that other indices are operationalized, whether the IPF is in fact linked to other enabling conditions that explain the existence of an enabling environment for philanthropy, and whether the index could be employed to predict civic engagement. Full results from pairwise correlations are included in the Appendix B. It should be noted that several of these indices include the same indicators with which they are correlated and some use the same sources of information, so correlations will be high in multiple cases. We observe coefficients close to 1.00 in indices measuring constructs with similar indicators. Namely, *Freedom in the World* and *Voice and Accountability* ( $r=.969$ ,  $p < .01$ ); *Corruption*

*Perceptions and Control of corruption* ( $r=.960, p <.01$ ); *Voice and Accountability and Political Transformation* ( $r=.955, p <.01$ ); and *Enabling Environment and Fragile States* ( $r=-.937, p <.01$ ).

The strength of the correlation between philanthropic and political environments is illustrated in Figure 1, which shows a close pattern of association between the 2015 IPF and the *Freedom in the World Index*. Figure 1 demonstrates the dispersion of data points in countries with lower scores in the *Freedom in the World Index*, while the linearity increases as scores in both indices increase.

Figure 1. Association between the 2015 IPF and *Freedom in the World Index*



We further examined the correlations between the 2015 IPF and several other indices measuring political environments. As shown in Table 2, correlations are stronger with indices measuring *enabling elements* essential to the development of philanthropy. We found strong and very high correlations between the 2015 IPF and World Bank’s *Voice and Accountability* index ( $r=.858, p <.01$ ), CIVICUS’ *Enabling Environment* index ( $r=.838, p <.01$ ), the Freedom House’s *Freedom in the World* index ( $r=.835, p <.01$ ), and Cato Institute’s *Human Freedom* index ( $r= .824, p <.01$ ). By contrast, correlations between the IPF and indices measuring socio-political *enabling conditions* for philanthropy, such as Regulatory Quality ( $r= .746, p <.01$ ), Government effectiveness ( $r= .655, p <.01$ ), or Perception of Corruption ( $r= .655, p <.01$ ) were relatively lower, but still significant and high.

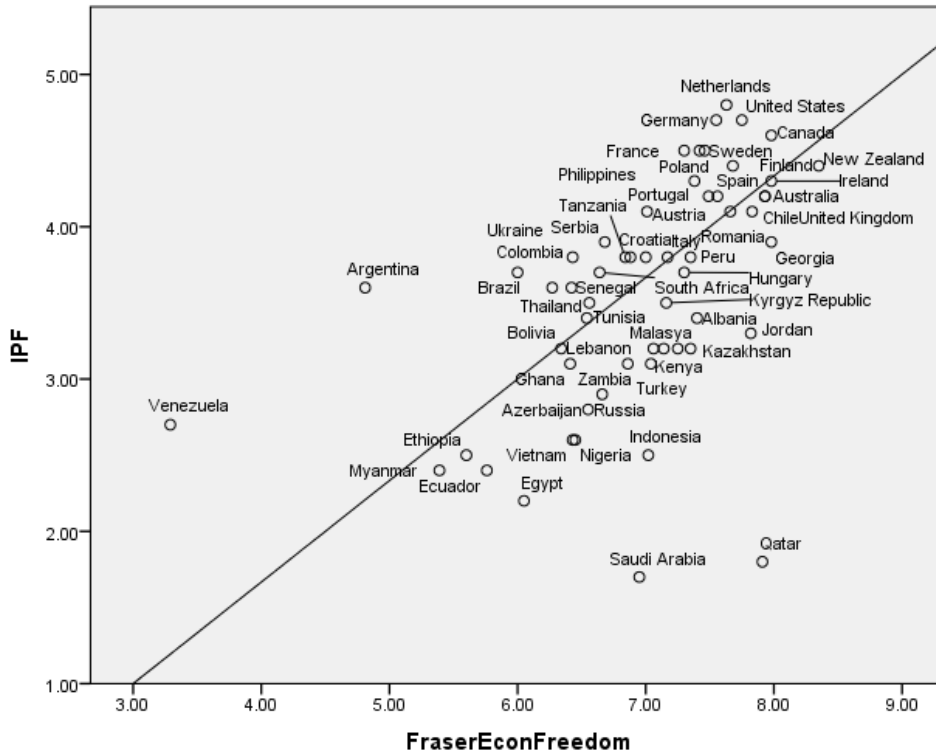
Table 2. Correlation between the 2015 IPF and selected socio-political factors

INDICES MEASURING SOCIO- POLITICAL FACTORS			
Indices assessing <i>Enabling Elements</i>	$p <.01$	Indices assessing <i>Enabling Conditions</i>	$p <.01$
• Cato Institute: Human Freedom Index	.824	• CAF, Nexus, and McDermott Will & Emery: Rules to Give By	.566
• CIVICUS: Enabling Environment Index	.838	• Transparency International: Corruption Perceptions Index	.655
• Freedom House: Freedom in the World Index	.835	• World Bank WGI -Control of corruption	.607
• World Bank WGI -Voice & Accountability	.858	• World Bank WGI -Political Stability	.559
		• World Bank WGI -Government Effectiveness	.655
		• World Bank WGI -Rule of Law	.649
		• World Bank WGI -Regulatory Quality	.746
		• Fragile States Index	-.686

5.4. Relationship between the enabling philanthropic and economic environments

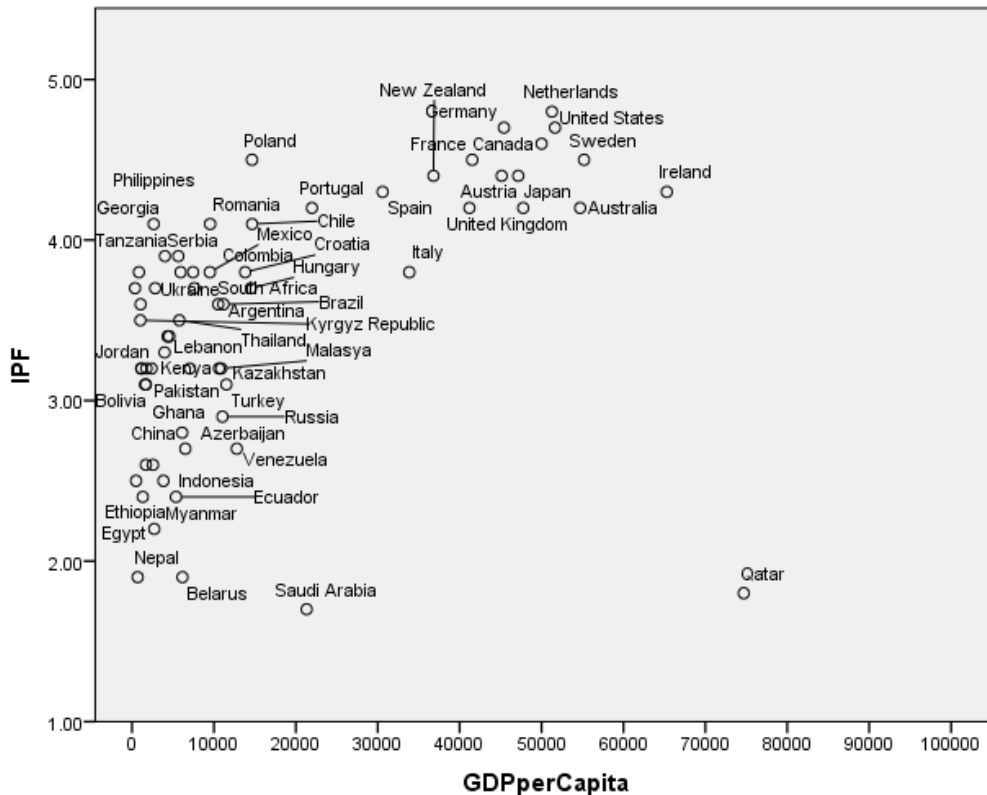
We then examined the correlation between the enabling environment for philanthropy and economic conditions at the country level. Figure 2 shows a low linearity with notable outliers in the pattern of association between the 2015 IPF and the *Fraser Institute Economic Freedom of the World Project*. Countries like Qatar, Saudi Arabia, Nigeria, and Indonesia presented higher levels of economic freedom, but lower levels of philanthropic freedom. Argentina and Venezuela are on an opposite situation, with low levels of economic freedom and fair levels of philanthropic freedom.

Figure 2. Association between the 2015 IPF and *Fraser Institute Economic Freedom of the World Project*



Further, we assessed the relationship between the 2015 IPF and GDP per capita. The correlation coefficient between the 2015 GDP per capita and the 2015 IPF for the 64 countries in the sample is  $r=.485$  ( $p < .01$ ). Figure 3 confirms, to a certain extent, that there is not always a positive relationship between the level of philanthropic enabling conditions and economic development. As stated in the 2015 IPF report, “philanthropic freedom is largely influenced by deliberate choices made by policymakers... not necessarily dependent upon a country’s level of [economic] development” (Center for Global Prosperity, 2015, p. 10). This also suggests that economic growth is not always a good indicator of the development of the philanthropic sector; instead, “...economic stability, as opposed to mere size, and the philanthropic culture are important factors” (Phillips & Blumberg, 2017).

Figure 3. Association between the 2015 IPF and GDP per capita



We also considered several other socio-economic factors, and found strong correlations between each of these factors and the 2015 IPF, although not as high as the associations observed with socio-political indicators (Table 3). The strength of the association with indices assessing socio-economic *enabling conditions* (see the right column in Table 3) tends to be lower than the correlation with indices assessing *enabling elements* (see the left column in Table 3), except the *Prosperity Index* that incorporates indicators related to governance, personal freedom, and social capital.



Table 3. Correlation between the 2015 IPF and selected measures of economic environments

INDICES MEASURING SOCIO-ECONOMIC FACTORS			
Indices assessing <i>Enabling Elements</i>	p <.01	Indices assessing <i>Enabling Conditions</i>	p <.01
• Heritage Foundation: Index of Economic Freedom	.638	• Legatum Institute: Prosperity Index	-.616
• Fraser Institute Economic Freedom of the World Project	.518	• United Nations Human Development Index	.508
• World Bank Ease of Doing Business	.599	• GDP Per Capita	.485

\* Correlation is significant at the 0.05 level (2-tailed).

5.5 Relationship between the enabling philanthropic environment and the level of human development

Human development is often considered a more comprehensive measure of development and the ultimate goal of the development process (Ranis, Stewart, & Ramirez, 2000). Human development, as explained by Sen (2000), goes beyond the solitary and traditional concept of economic progress bringing a pluralistic conception to the exercise of development evaluation. We used the United Nations' *Human Development Index* (HDI) to classify the 64 countries into three groups. The HDI measures "achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living" (United Nations, 2016). The HDI scores countries based on life expectancy, access to knowledge and Gross National Income per capita. Originally, the HDI used four categories: Very High Human Development, High Human Development, Medium Human Development, and Low Human Development. We reduced these to three categories by merging Medium and Low Human Development classifications into one. Thus, using the 2015 HDI report, the three categories of HDI are 1) very high human development countries (scoring 0.8 or above, including 23 countries), 2) high human development countries (scoring between 0.7 and 0.8, including 22 countries), and 3) medium to low human development countries (scoring below 0.7, including 19 countries).

Additionally, we classified the 64 countries according to their 2015 IPF scores into three categories as well. These are 1) very highly enabling philanthropic environment (scoring 4.0 or above, including 19 countries), 2) highly enabling philanthropic environment (scoring between 3.3 and 4.0, including 19 countries), and 3) low to medium enabling philanthropic environment (scoring below 3.3, including 25 countries).

The relationship between the HDI and the 2015 IPF informs whether countries with different human development levels provide an adequate regulatory and fiscal framework for philanthropy. The results are presented in the Figure 4.

Figure 4. Countries by levels of the 2015 IPF and HDI

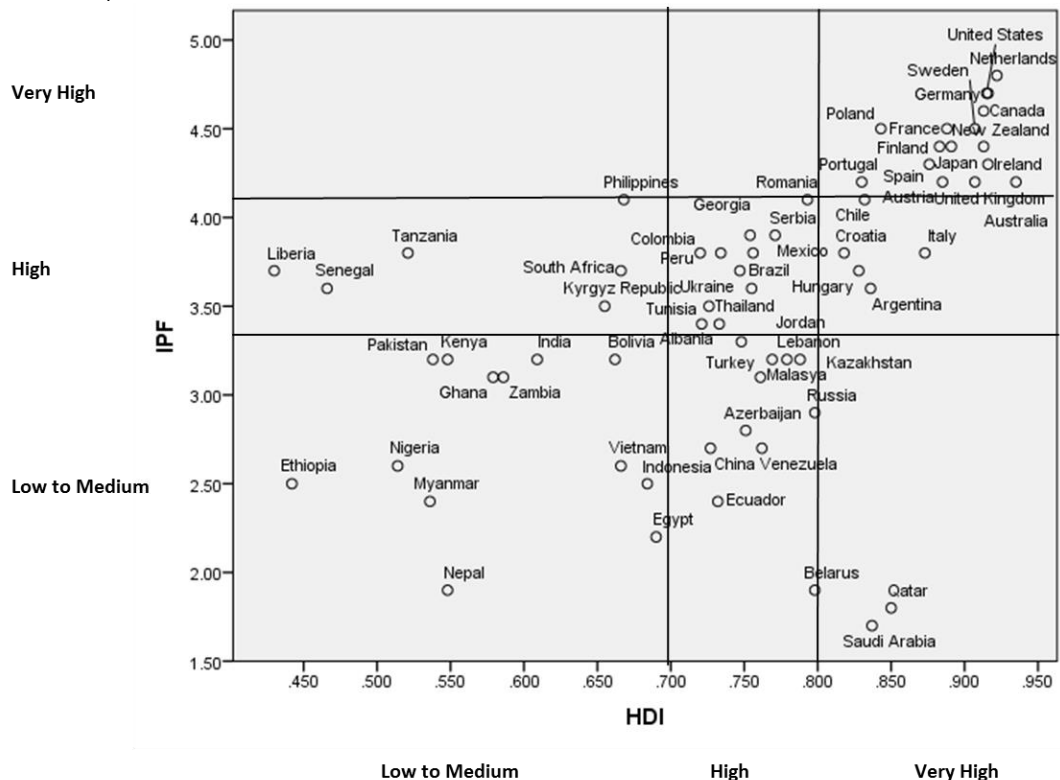


Figure 4 reveals less dispersion and higher levels of association with the 2015 IPF in countries with higher human development levels in general. There are a few exceptions. Countries such as Saudi Arabia, Qatar, and Belarus show high levels of human development and low IPF scores; while countries with low human development levels, such as Liberia, Senegal, and Tanzania, rate comparatively higher in philanthropic freedom.

Table 4 shows that the relationships of socio-political factors with the 2015 IPF are usually stronger in countries with higher levels of HDI. By contrast, the relationships between the 2015 IPF and socio-economic factors are

usually the weakest in countries with very high HDI, and there is no significant relationship between the 2015 IPF and GDP per capita, when analyzing countries by HDI level.

The situation is different from indices measuring economic-related indices that incorporate socio-political or regulatory indicators. For instance, the Fraser Institute’s *Economic Freedom of the World Project* and Heritage Foundation’s *Index of Economic Freedom* measure indicators such as size of government, property rights, access to sound money, freedom to trade internationally, and credit, labor, market and business regulations. On the other hand, the *Doing Business* scores economies based on how business-friendly a country’s regulatory system is to enable or prevent private sector businesses from starting, operating and expanding using 11 indicator sets, for example, infrastructure regulations, registration, financial restrictions, taxes, cross-border trading, and others.

Table 4. Correlations between the 2015 IPF and political and economic environments by HDI

Global Index	HDI			Total N
	Medium-Low	High	Very High	
<b>INDICES MEASURING SOCIO- POLITICAL FACTORS</b>				
Cato Institute: Human Freedom Index	.480*	.642**	.901**	62
CIVICUS: Enabling Environment Index	.394	.770**	.635**	54
Freedom House: Freedom in the World Index	.554*	.720**	.955**	64
World Bank WGI -Voice & Accountability	.584**	.780**	.941**	64
CAF, Nexus, and McDermott Will & Emery: Rules to Give By	.455	.432*	.580**	63
Transparency International: Corruption Perceptions Index	.370	.425*	.463*	64
World Bank WGI -Control of corruption	.139	.286	.477*	64
World Bank WGI -Political Stability	.265	-.095	.445*	64
World Bank WGI -Government Effectiveness	.305	.388	.597**	64
World Bank WGI -Rule of Law	.282	.511*	.453*	64
World Bank WGI –Regulatory Quality	.579**	.731**	.553**	64
Fragile States Index	-.302	-.292	-.783**	64
<b>INDICES MEASURING SOCIO-ECONOMIC FACTORS</b>				
Legatum Institute: Prosperity Index	-.018	-0.04	-.644**	62
Heritage Foundation: Index of Economic Freedom	.491*	.610**	.377	64
Fraser Institute Economic Freedom of the World Project	.585*	.485*	.266	57
WB Ease of Doing Business	.044	.312	.704**	64
GDP Per Capita	.125	-.024	.095	64

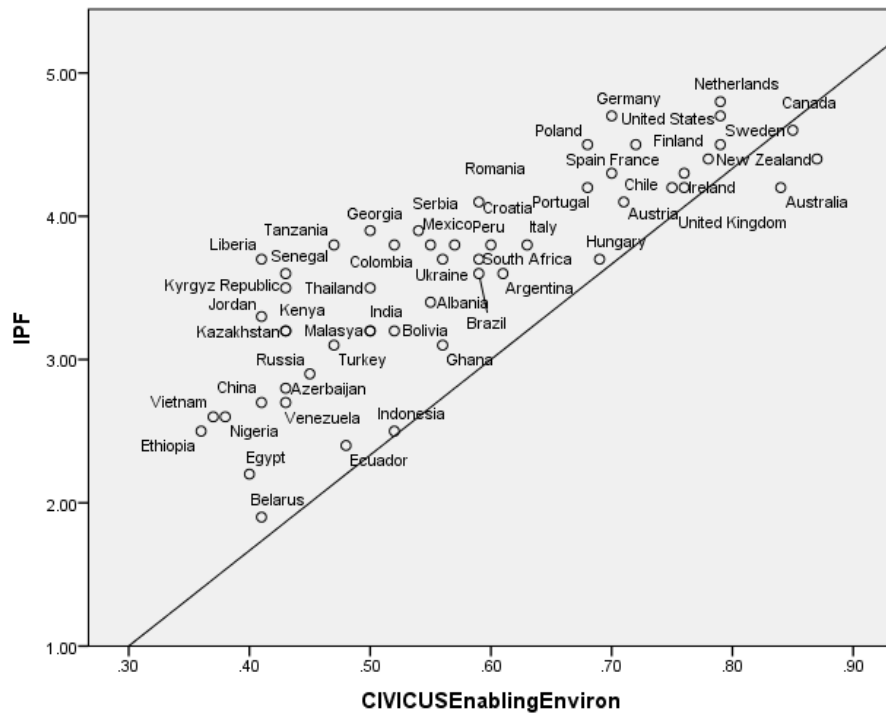
\*\*Correlation is significant at the 0.01 level (2-tailed).

\*Correlation is significant at the 0.05 level (2-tailed).

### 5.6 Relationship between the enabling philanthropic environment and civic engagement

The measurement of the association between the 2015 IPF and the 2016 Gallup Civic Engagement scores informs about the predictive value of the IPF. It is expected that civic engagement is higher in countries with more favorable regulatory and fiscal environments for philanthropy. We found a correlation of  $r=.295$  ( $p < .05$ ) between the 2015 IPF and Civic Engagement, lower than the correlation with any other factors included in our analysis. The pattern of the correlation is presented in Figure 5.

Figure 5. Association between the 2015 IPF and Civic Engagement



When looking at the IPF and Civic Engagement using the HDI classification, the correlation becomes significant ( $p < .05$ ) in higher developed countries, as shown in Table 5 below.

Table 5. Correlations between the 2015 IPF and Civic Engagement by HDI

HDI Level	Pairwise Correlation Coefficient
Medium-Low HDI	-.301
High HDI	.235
Very High HDI	.514*
Total N	63

## 6. Discussion

Literature suggests that an enabling legal and regulatory framework is an important condition for philanthropy (Moore & Rutzen, 2011). Literature also shows that the existence of certain socio-political conditions such as political stability, low perception of corruption, and government effectiveness –even among countries under similar normative institutions- produce different environments that affect the way philanthropic organizations articulate in society (Anand & Hayling, 2014; Blasco & Zølner, 2010; Epperly & Lee, 2015; Jamali, 2014). The way these factors interact help to build the conditions for the growth and strengthening of philanthropy within and between countries.

The review of the literature revealed that although the legal and regulatory conditions affect the philanthropic environment in all countries other factors also influence the environment for philanthropy. We found that this is especially true in less developed countries where the distant and sometimes antagonistic relationships between philanthropic organizations and government exert a major influence on the operation of philanthropic organizations, sometimes enabled by an unfavorable legal framework. Literature suggests the need to more comprehensively understand the quality of an enabling environment for philanthropy by considering not only the fiscal and regulatory environment for philanthropy, but also the social, cultural, political, and economic indicators, as well as indicators that measure the state of development of philanthropy. The inclusion of such indicators in the operationalization of the Index of Philanthropic Freedom will increase the relevance of the index to the concept of philanthropic freedom. However, more studies about the interrelations of the factors that influence philanthropic engagement and the diversity of circumstances within countries with different historical and cultural backgrounds, and political conditions are required to decide how these factors must be weighted in the index.

Following is the discussion of the hypotheses that led this study:

*Hypothesis 1: An enabling environment for philanthropy is significantly associated with an enabling political environment.*

The results of the multiple correlations in Table 2 and Appendix B show high levels of correlations between the 2015 IPF and various indices for political environment. We found the strongest correlations with indices measuring civil liberties, such as perception of civil participation, freedom of expression, freedom of association, and freedom of religion. The strength of the correlations was higher with *Freedom in the World, Human Freedom*

and *Voice and Accountability*, closer to 1.0. Our results suggest that the 2015 IPF incorporates in its operationalization similar indicators that other freedom-related indices use to measure different constructs; furthermore, the 2015 IPF assesses how these liberties affect civil society organizations and not specifically the organizations engaged in philanthropic activities.

*Hypothesis 2: An enabling environment for philanthropy is significantly associated with an enabling economic environment and higher economic growth.*

The association with indices measuring socio-economic factors is still high and significant, but lower than the association with socio-political factors. Specifically, coefficients tend to be higher when the 2015 IPF is correlated with indices measuring economic freedoms. When correlated with GDP per capita, the correlation is low and significant ( $p < .05$ ), confirming our hypothesis that an enabling environment for philanthropy is significantly associated with levels of economic growth. However, when other social indicators are considered together with economic growth as a measurement of development (as measured by HDI), the relationship with the 2015 IPF increases, indicating that economic growth should not be used alone to predict improvements in the philanthropic environment.

*Hypothesis 3: The size of the relationship between an enabling philanthropic and political environments is stronger in countries with a higher level of human development.*

We found that the associations between socio-political indices are stronger in countries with higher human development levels, suggesting that socio-political factors are more harmonically integrated within the legal framework in highly developed countries and conversely higher compliance to laws and norms, providing better socio-political conditions for philanthropy. Since the 2015 IPF does not only measure the legal framework for philanthropy, but also its implementation, it also assesses the existence of the freedoms that are enabled by this legal framework and that are required for the effective work of organizations engaged in philanthropy. In consequence, to understand philanthropic freedom, it cannot be interpreted as a separate construct, but in relation to other indices.

In Table 4, we observed that the relationship between *Rules to Give By* and the 2015 IPF is only significant in high and very high developed countries, which might suggest that in countries with high HDI, government officials are more accountable under the law, providing a better environment for philanthropy. *Rules to Give By* measures “the presence of legal infrastructure that might help to foster a culture of philanthropy,” not accounting for “for all the complexities of the law, the extent of implementation or the circumstances in which it exists” (Quick, Kruse, & Pickering, 2014, p.14). The scope of the 2015 IPF is broader, assessing not only whether this legal infrastructure exists, but also how the implementation of the law influences philanthropy. If we assume that the way a legal structure is implemented shapes, and is shaped by, the interplay of economic and political factors within and among countries, it seems likely that the assessment of the implementation of the legal infrastructure does not overlook other interrelated political factors. In fact, guiding questions included in the 2015 IPF questionnaire such as “*Are there restrictions on the activities of a CSO?*” open the door for observing restrictions not explicitly established in the law, but existent in practice to limit CSO operations.

*Hypothesis 4: The size of the relationship between an enabling philanthropic and economic environments is stronger in countries with a higher level of human development.*

We expected that countries with higher levels of human development would show higher IPF scores. We found exactly the opposite case where the economic freedom indices in countries with low and medium, and high human development index were strongly associated with the 2015 IPF, but not in countries with higher HDI. These results contradict our hypothesis.

*Hypothesis 5: An enabling environment for philanthropy provides the required conditions to increase public civic engagement.*

Compared with the medium to high significant correlations found between the 2015 IPF and other indices, the correlation with the *Civic Engagement* index is low. In fact, when separated in groups of countries by HDI level, the correlation is only significant in countries with very high HDI. This finding suggests that the regulatory and fiscal framework alone does not necessarily prompts better civic engagement among the public.

## 7. Conclusion

The theoretical and empirical analysis yielded important results in response to our main question of the study: What are the factors that explain cross-national differences in the enabling environment for philanthropy? In this paper, we corroborated the findings of other scholars about the importance of social, political and economic factors to define an enabling environment for philanthropy and highlighted the specific importance of socio-political factors embedded in the operationalization of the IPF. It has been determined that in addition to regulatory and fiscal conditions, other factors shape the capacity and propensity of individuals and organizations to engage in philanthropic activities. These factors can either remove the constraints that impede improvement or fulfillment of the potential of individuals and organizations to freely engage in philanthropic activities, or raise society to a higher level of liberty (Berlin, 1969) to engage in philanthropy.

Results also suggest that regulatory and fiscal conditions for philanthropy are more associated in countries with higher human development levels, suggesting that socio-political factors are more harmonically integrated within the legal framework in highly developed countries and conversely higher compliance to laws and norms, providing better socio-political conditions for philanthropy.

Measuring complex abstract concepts and encapsulating these measures in a few groups of indicators is always a challenge. Indices are often accused of lacking construct validity (Thomas, 2010), whereas some scholars stated that construct validity is not necessarily a useful tool to assess the merits of an index (Anheier, 2005; Kaufmann, Kraay, & Mastruzzi, 2010). Regardless, the challenge of providing useful information is always present. This discussion provides useful insights into selecting better and more appropriate indicators to measure this phenomenon and offering the proper weight in the equation to measure the index. The analysis should not stop here. Future implementations of the IPF will provide more data to be more attentive to the wide gamut of conditions that shape the evolution of philanthropy within the most diverse social and political contexts around the world. Further research should also shed more light on how different factors interact to influence philanthropic within countries to decide how these factors must be weighted in the index.

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**Appendix A. Global Indices and Indicators**

Index	Indicators
<b>Cato Institute: Human Freedom Index</b>	Rule of Law Security and Safety Freedom of Movement Freedom of Religion Association, Assembly, and Civil Society Freedom of Expression Freedom of Relationships
<b>CIVICUS: Enabling Environment Index</b>	Governance environment (state effectiveness, rule of law, corruption, personal rights) Socio-economic environment (including giving and volunteering and personal trust) Socio-cultural environment
<b>Freedom House: Freedom in the World Index</b>	Political Rights Civil Liberties
<b>Heritage Foundation: Index of Economic Freedom</b>	Rule of Law Limited Government (fiscal freedom, government spending) Regulatory Efficiency Open Markets
<b>Fraser Institute: Economic Freedom of the World Project</b>	Legal Structure and Security of Property Rights Size of Government Access to Sound Money Freedom to Trade Internationally Regulation of Credit, Labor, and Business
<b>CAF, Nexus, and McDermott Will &amp; Emery: Rules to Give By</b>	Existence of tax system Tax exemption for nonprofits Reporting requirements for nonprofits? Reporting requirements sensitive to size of the organizations Tax incentives that encourage philanthropy Individuals and corporations have different incentives Existence of "estate tax" or some equivalent mechanism that encourages the creation of donor institutions
<b>Global Civic Engagement Report</b>	Helped a stranger who needed help in the last month? Donated money to a charity in the last month? Volunteered your time to an organization in the last month?
<b>Transparency International: Corruption Perceptions Index</b>	Corruption Accountability for public offices/agencies Legal/political penalties for discovered corruption Extent to which government can contain corruption Incentives/protection for whistleblowers Corruption allegations in media Laws for conflict of interest disclosures Prevalence/expectation of bribery
<b>World Bank: The Worldwide Governance Indicators (WGI) Project</b>	Voice and Accountability (Freedom of expression/association) Political Stability and Absence of Violence Government Effectiveness Regulatory Quality Rule of Law Control of Corruption
<b>Legatum Institute: Prosperity Index</b>	Governance Economy Entrepreneurship and Opportunity Education Health Safety and Security Personal Freedom Social Capital
<b>World Bank Ease of Doing Business</b>	Starting a business Dealing with construction permits Getting electricity Registering property Getting credit Protecting minority investors Paying taxes Trading across borders Enforcing contracts Resolving insolvency Labor market regulation
<b>United Nations: Human Development Index</b>	Decent standard of living – GNI per capita A long and healthy life Access to knowledge (Schooling)
<b>Fragile States Index</b>	Demographic pressures Refugees and IDPs Group Grievance Human Flight Uneven Development Poverty and Economic Decline Legitimacy of the state Public services Human Rights Security Apparatus Factionalized Elites External Interventions

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**Appendix B. Pairwise Correlations**

	IPF	Human Freedom	Enabling Environ	Freedom in the World	Voice and account	Rules to Give By	Civic Engage	Corrupt. Percep.	Ctrl Corrupt	Political stability	Gov. Effective	Rule of Law	Reg. Quality	Fragile State Index	Heritage Econ Freedom	Fraser Econ Freedom	Legatum Prosperity	UN Human Dev	GDP per Capita	WB Ease of Doing Business
IPF	1																			
Human Freedom	.824**	1																		
Enabling Environ	.838**	.917**	1																	
Freedom in the World	.835**	.856**	.869**	1																
Voice and account	.858**	.912**	.931**	.969**	1															
Rules to Give By	.566**	.405**	.455**	.464**	.476**	1														
Civic Engagement	.295*	.324*	.557**	.314*	.402**	0.245	1													
Corruption Perceptions	.655**	.806**	.886**	.683**	.799**	.361**	.434**	1												
Ctrl Corrupt	.607**	.778**	.831**	.659**	.756**	.338**	.345**	.960**	1											
Political stability	.559**	.788**	.843**	.647**	.732**	0.246	.311*	.851**	.839**	1										
Gov. Effectiveness	.655**	.815**	.830**	.608**	.726**	.414**	.274*	.884**	.902**	.795**	1									
Rule of Law	.649**	.799**	.826**	.668**	.771**	.402**	.343**	.938**	.959**	.805**	.928**	1								
Regulatory Quality	.746**	.853**	.835**	.686**	.785**	.429**	.338**	.877**	.863**	.743**	.920**	.920**	1							
Fragile State Index	-.686**	-.862**	-.937**	-.728**	-.820**	-.425**	-.321*	-.888**	-.857**	-.903**	-.877**	-.852**	-.829**	1						
Heritage Econ Freedom	.638**	.734**	.713**	.568**	.666**	.316*	.422**	.820**	.800**	.662**	.812**	.852**	.930**	-.695**	1					
Fraser Econ Freedom	.518**	.720**	.576**	.446**	.546**	0.184	.327*	.694**	.681**	.586**	.734**	.751**	.829**	-.575**	.890**	1				
Legatum Prosperity	-.616**	-.786**	-.848**	-.558**	-.672**	-.365**	-.400**	-.807**	-.792**	-.820**	-.886**	-.779**	-.791**	.923**	-.653**	-.561**	1			
UN Human Dev	.508**	.723**	.777**	.472**	.571**	.349**	0.125	.712**	.696**	.722**	.817**	.680**	.728**	-.858**	.586**	.493**	-.901**	1		
GDP per Capita	.485**	.651**	.862**	.515**	.642**	.335**	.460**	.861**	.798**	.793**	.778**	.778**	.737**	-.855**	.654**	.522**	-.836**	.759**	1	
WB Ease of Doing Bus	.599**	.787**	.717**	.500**	.610**	.209	.229	.730**	.751**	.690**	.865**	.773**	.850**	-.784**	.776**	.758**	-.852**	.804**	.677**	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).