

Chapter 6:

Engaging Travelers in Travelers' Philanthropy

Unintended Consequences of the Traveler's Best Intentions

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It's easy to focus on the virtues of good intentions. My goal is not to rain on your parade but maybe to throw a bit of mist on it as we reflect on the ethical worth of what we're doing.

I will play the role of the traveler. Let's assume certain things about me. First, I have the very best intentions. I want to help others. My travels take me to places where some of the world's poorest people live. Whether out of pity or charity or guilt – or some combination of these motives – I want at least a few of those I meet to have more resources and opportunities and to lead somewhat better lives because of my actions.

Second, let's assume that I am able to help others. The fact that I can travel to far-away lands shows that I am far wealthier than the poor people in poor countries whom I encounter. I have access to money that can easily be transferred to those whose yearly income is less than the cost of one day's hotel bill, food, and travel in my itinerary. Moreover, if I'm retired – and many who go on these trips are retired – I have the time to help. This is a precious commodity. If I get excited by a philanthropic project I and my fellow travelers decide to sponsor, I might spend time when I return home, staying in touch with local people to see that the project comes to fruition and providing technical assistance as needed.

Let's further assume that I've got connections. It's not just my *net worth* that matters but also my *networks*, my links to other people. If my travel group agrees to help start a local project – like constructing a well or a health clinic or supplying drip irrigation equipment for farmers or veterinary assistance for pastoralists – I can go see my friends back home. I'm confident I can raise \$10,000 from them to cover Phase 2 of this fine project.

To sum up, we're assuming that I want to help and that I am able to help. I've got the money, I've got the time, and I've got the connections.



Maureen learns about her scarf purchase direct from the maker, Timor-Leste. Credit: Intrepid Travel

Moreover, as a traveler I see a specific situation that calls for constructive action. Yes, I'm aware of the figures on the huge number of people – well over a billion – who live on less than a dollar a day. But these statistics, while they stay for a while in my head, don't enter my heart. What does engage me emotionally is that, right here and now, I'm in a village where I actually

see someone who lives under a dollar a day. The abstraction called poverty suddenly takes on a human face. I hear that person, or members of the community, or the village chief, say, "Here's what we need. Here's what we would like to have." They then ask, "Can you help us?" And I say, "Well, sure."

- **Ethical Action = Good Intentions + Good Consequences**

The question is whether my intention to help in this situation is enough for my transfer of funds, in response to a request for help, to be called ethical. That, in turn, raises the question of what constitutes ethical action. I'm going to define ethical action as requiring a combination of good intentions and good consequences. This means that good intentions are a necessary but not sufficient condition for ethical action. The motive to act and the results of action have to be reasonably consistent with each other.

We're all familiar with the phrase, "The road to hell is paved with good intentions." This phrase points out, wisely, that good intentions do not automatically translate into good outcomes and can, in some cases, be counter-productive.

Let me now suggest several ways in which good intentions might not produce desirable outcomes, particularly for the indigenous recipients of travelers' philanthropic activities.

The first thing to note is a paradox: I as a traveler go out to places with a bias for the status quo, yet my very presence can be a factor undermining the status quo. I may want the natural status quo: an unspoiled beach, a primeval rainforest, wild animals roaming the savannah freely. I want to travel abroad now because in a few years the beach will probably be littered with plastic bags and Coke bottles or swallowed up by rising seas. The tropical forest may be felled, its trees sold to become timber for housing or cardboard packaging. The wild animal herds may be seriously diminished as poachers take their toll and as open rangelands shrink due to ever-growing human demand for alternative uses for the land. I want to win the race against these undesirable signs of "development" and get to enjoy what I consider an "unspoiled" natural environment.

I may also want to preserve the cultural status quo. I want to see indigenous people before they've become "corrupted" by too much contact with outsiders; before they've abandoned traditional clothes they've woven themselves for khakis mass-manufactured in China and sun-glasses like the ones I wear; before they've abandoned traditional dances and musical instruments for American dances and electric guitars. Again, I want to travel now because in a few years the culture I value as being different, even exotic, may have come to look a whole lot more like the American mall culture I left behind.



Filming in rainforest, Costa Rica.
Credit: CREST

But if I'm traveling to see things which I find appealing and which haven't changed - or which, probably incorrectly, I imagine haven't changed - the paradox is that my very presence in another culture is a major factor in altering it. I enjoy watching the local people; that's one reason I'm here. But it also turns out that the local people are observing me, and perhaps with greater interest and attention to detail than the way I observe them. What do they see in me? They see an agent of radical change, an ambassador (despite myself) of a high-consumption

lifestyle beyond their wildest dreams. I might consider myself an ecotourist, wanting to live close to the land. But this self-image is self-deceptive. The inescapable fact is that I may be several hundred times wealthier than those living in the country I've gone to visit, and the consumption lifestyle my income makes possible - with its accompanying heavy demand on the earth's resources - is outlandishly high by village standards. I might see myself as an individual. But in fact I am an agent of the vast, impersonal phenomenon we call globalization.

Someone in the village is carefully observing my hiking shoes, khaki pants, nicely tailored shirt, sunglasses, sun hat, and camera with its telephoto lens and thinking, enviously, "I wish I had those things. They're good looking, they're convenient, and having them would make my neighbors look up to me." Someone is observing the bus or minivan that brought me to the village and thinking, enviously, "Wouldn't it be nice to travel that way and not walk or ride a bicycle when I want to move around?"

These thoughts accentuate the drive for change in that culture, the drive to be like me, to abandon aspects of the culture that are the very things that attracted me to visit that culture.

The same thing applies to nature. It took a great deal of energy, with a lot of trees felled, to build the road to the ecotourism lodge where I'm staying. Heavy trucks regularly take imported wines and beer up that road to the lodge. And then there's the substantial contribution to global warming from the jet fuel that took me from the U.S. or Europe to a land thousands of miles away. The per-person costs to the environment of trans-continental tourism are huge. If I consider myself an environmentalist - and many tourists do -- this is disturbing information I just don't want to hear about.

- **The Law of Unintended Consequences**

So the reality is that to experience "unspoiled" indigenous culture and "unspoiled" nature, I have to become an active participant in spoiling indigenous culture and the natural environment. I cannot escape being an agent of change even if I see myself as an agent of the status quo. In such a paradoxical situation, it's easy for my intentions not to produce the results I have in mind. In fact, my profound misunderstanding of my own impact on the local setting and of how I am perceived provides the optimal opportunity for the law of unintended consequences to operate. That law can operate in any interaction among humans. But it's especially likely to apply when interactions cross cultural and linguistic lines, and even more so when basic misunderstandings of the self and of others are at play, as they are in this situation.

Secondly - and to turn the paradox on its head - I see my charitable actions as agents of change, but those actions may be opposed by influential local people who want to maintain the status quo.

Let me give an example. My goal in contributing money for a well, maternity clinic, school, rabbit hutch, piggery, drip irrigation project, bridge, etc. is to change the local situation. The community didn't have what I am giving before I gave it. Now, hopefully, it will have it. I see the change - and I believe many local people agree - as a change for the better. This is



Village in Malawi. Credit: Khym Photos

improvement, development, an element of modernization. In a sense, I am a progressive revolutionary outsider.

Now, because I am an outsider, I am ill-informed and naïve about the local village. I tend to think of it as a single unit made up of people who get along with each other and have fairly uniform preferences. As proof, I say, “The local people in this community seem so happy. They smile at me. They laugh a lot even though they are incredibly poor. This is amazing.” But this observation doesn’t prove my point. And my use of the term “community” is misleading. It implies people in a commune, everybody together, operating as one cooperative unit.

We know that our own society does not operate that way. We have factions, social and economic hierarchies, groups with competing ideological beliefs and public policy preferences. Yet, despite this knowledge of ourselves, we tend to idealize “the locals” as being fundamentally different from us and not having these same characteristics. The image of the “noble savage” lives on. But this image is a myth. Inequality exists even in the poorest communities. Every human being lives in a social setting divided by factions, hierarchies, disagreements over values and preferences, and personal struggles for power and status. Even in what appears to be the idyllic village I want to help, there are some with more wealth, status, power, and influence than others. And disagreements over the direction the community should take and over how fast it should get there.

The change I have in mind through my generosity could start to shake up the village’s stratification system. Let me take an example from areas lacking easy access to water: digging a well and providing it with a diesel pump. This I see as a public good. Everyone stands to benefit from access to water, particularly if it’s better quality than the muddy river from which villagers currently take their supply.



Clinic in Niono, Mali. Credit: Masoud.NYC

For the men in the village, however, the well can have a quite different meaning. It is going to benefit women more than men. Why? Because fetching water is women’s work. They have to walk five miles to the river and bring the water back in gourds perched precariously on their heads. Men don’t do this. So a benefit perceived by me, the outsider, as a public good is seen by men, who hold the formal power in the village, as lowering their status because women no longer have to carry out this time-consuming, physically exhausting task. That I don’t understand and appreciate these views is irrelevant. The tipping of the scales in favor of a disadvantaged group is clearly seen by the advantaged elements in the village. For them, a well is not an incontrovertibly public good.

Moreover, women will soon have more time on their hands because they’re not on their way to and from the distant river. What are they going to do with that time? Perhaps they are going to get together and demand an additional raise in their status. The new well set the precedent for them, a precedent they value. Its construction, financed by innocent outsiders, challenges long-standing gender relationships and portends further challenges in the future.

Think of this situation in geographical terms. Where you locate a well or school or clinic or bridge or any other piece of physical infrastructure is going to benefit some people more than others. Some people will ask, “Why did those foreigners build the clinic on the other side of the river and not on our side?” “Why did they build the bridge five miles upriver, which helps people in the rival village much more than it helps us?” You can easily imagine a sense of grievance developing because some people gained more from an amenity than others. As a general rule, those benefitting from an amenity are likely to take it for granted and not think much about it once it’s in place. But those who don’t benefit from it, or who benefit less than others, continue to dwell on what they have lost. A sense of grievance persists longer than a sense of satisfaction.

When an act of generosity from the outside can be interpreted by village elites as lowering their power, income, and status, then it is seen as a backward move. What can elites do? One obvious option is to sabotage the project. Sabotage is quite easy once the project’s funders have left, as tourists do shortly after they’ve made some kind of oral or signed contract with a village notable. “Now they’ve gone,” thinks the notable. “But I’m still here. And I will still be here years from now. The power I have will be used to stop this project in its tracks.”

So I, the tourist, may find my best intentions thwarted by the very person who smiled with apparently genuine thanks as he signed the contract with my tour group manager. It turns out that this person would rather have no project than one that could conceivably hurt his relative position in the village hierarchy. This is not to say that the village notable is a bad person. Rather, it confirms that he is a human being. Everywhere you have status systems, which mean systems where people’s sense of their own worth is defined relative to their sense of others’ worth. Even if the project helps them in an objective sense, if it harms them in a subjective sense they will do what they can to slow down the project or cancel it altogether.

- **A Simple Photo and A Thank You: It’s More Complex Than It Seems**

Now let’s take a third situation. As a donor I prefer to give to something I can take a picture of. I want a photo, three months later, a year later, and on completion, of that well, bridge, or clinic. I want pictures showing happy people drawing water from the well and walking across the finished bridge. I want to see happy kids in front of a new health clinic, showing off the bandages on their arms where the nurse vaccinated them for yellow fever. I don’t ask for much in return for my generosity. But I do ask for those pictures. If nothing else, they prove that my money was not embezzled for someone’s private use but was actually put to its intended purpose.



Tourists in Banff, Canada
Credit: Itdan's Photo

Implicitly, however, I want something else. I want to be thanked. I’d like to hear a villager say, in a video clip, “Thank you, David, for making our lives better.” This all seems very reasonable.

But might something happen to lead local people to say instead, "I don't want to say thank you," or if they go in front of the camera, to say thanks grudgingly?

Yes, something like that might happen. Note that my brief visit to the village can make the villagers realize, or sense more intently than before, that whatever inequality there is within the village is dwarfed by the inequality in the world outside the village. "Any one of those visitors had an income equal to our whole village. We didn't think of ourselves before they came as being poor. But now we do, because their visit forces us to compare ourselves to them. Realizing that we are poor makes us envious, jealous, unhappy."

One way to express that unhappiness is against its apparent source, the rich donor. Let me lay out an entirely reasonable and understandable mental scenario on the part of a villager. "Here they are, the richest people in the world coming to see us, perhaps because they enjoy showing off their wealth among people like us who are miserably poor. Besides, did they deserve all that wealth? I didn't see any evidence that they are better than we are, morally. Instead, some of them got drunk and were rude to the waiters. In addition, there's no connection between wealth and work. We didn't see them working the entire time they were here. In fact, they spent the whole day partying, acting like life was one big vacation. It was we who did the work, not only on our farms but also in the lodge, cleaning their rooms, preparing their food, and serving it to them. The inequality we observe is not only enormous; it's also unfair and unjustified. I don't like the tourists, because they have things they don't deserve."

Added to this perception is the problem of dependence. Charity generates dependence. If money comes from the outside, it almost invariably makes the recipient dependent on the donor. The recipient is getting something, but not for free: the gift comes with strings, conditions, that the money be used for a particular purpose. The recipient is expected to meet those conditions.

Moreover, up to this point the village may have been relatively self-reliant, producing much of the food, clothing, and household goods it consumes and consuming much of what it produces. This is a result less of conscious choice than of geography and level of development. The village may be physically isolated from other villages, with no road through it and no bridge across the river and no buses or trucks to transport people and the commodities they produce from home to a market several miles away. The very act of the tourist coming in, as a follow-up to the bulldozers, roads, contractors, imported carpenters and plumbers building the lodges where the tourists stay, links villages to the outside world and permanently destroys their self-reliance. This change creates the setting for dependency to flourish. In the worst case, it turns dependency into a welfare handout. Villagers can come to see the tourist donation not as a one-time transaction but as Round 1 in a series of gifts expected in the future. After all, the tourist clearly has a lot more money than the amount he is giving, as well as access to others with money. It becomes easy, based on one act of unexpected generosity, for recipients to come to expect others like it; and to become upset at the donor if future gifts aren't forthcoming.

Here again we have an understandable misunderstanding. It is not because villagers are bad people that they think like this. It's because they are human beings like us. They are rational creatures, making rough predictions about the future based on what they observe to be happening in the present.

The dependency I'm talking about takes the recurring form of recipients not taking psychological "ownership" of a project. The well, clinic, or bridge is seen by them as belonging to the donor, not to themselves.

So my gift can generate resentment by recipients that I am so wealthy I have extra cash to give, that I make the villagers feel poor, and an uncomfortable sense that I make them feel dependent on me. In such a situation people may not want to say “thank you” in front of a camera.

There was a great cartoon, many years ago, of Egypt’s President Gamal Abdel Nasser receiving a giant package from Uncle Sam labeled “AID.” Nasser says to Uncle Sam, “Thank you. Go to hell.” The gratitude and the resentment are both there, mingled together.

If no one thanks me for my generosity, who is the next person to become resentful? Me, the donor! I think to myself, “All I asked for was thanks. That’s not much, and it was something the villagers could easily have given. They had every reason to be grateful because they received a free good, something they wanted but wouldn’t have gotten if it hadn’t been for my generosity. What the hell is wrong with these people? If they’re going to act like this, then that’s the last time I’ll ever give to a charitable organization helping developing countries.”

So now we have resentment on the part of the recipient and the donor. This isn’t a good way to end a story based, initially, on the best of intentions!

- **Passing the Money and Responsibility**

Now let’s look at another problem. The traveler, by definition, is here today and gone tomorrow, off to another place on a busy itinerary. What stays around is the money that I, the traveler, donate. I and my money are soon parted. But with whom do I leave that money?

Naturally I want to leave it in the hands of someone who is trustworthy and isn’t likely to put it in his or her back pocket for private use. The person also has to have some locally acknowledged authority to spend the money and the ability to track its use so that others don’t misuse donated funds. And the person has to have some administrative ability to implement a project, to take it from a pleasant vision to something that actually exists “on the ground.” Someone has to identify the contractors, sign contracts, recruit and train the labor force. It turns out that a huge amount of work is involved in project implementation, all of it after I have left the scene and gone on to my next tourist attraction.

But in many situations no such person, with all these admirable qualities, exists. Even if this person could be found, unless the donation includes reasonable compensation to the agent for all this work, there would be no incentive to take the job. Nor may the contractors and sub-contractors and skilled artisans be available locally. They may have to be brought in from outside the village and housed nearby, further disrupting the local status quo.

Here, I think, the donor has three options. One is to leave the money in the hands of someone connected with the tourist industry: the lodge’s owner or the tour operator. A second is to leave it with a village member with recognized status, such as the chief or top elected official. The differences between these two potential recipients are substantial and visible. The former is quite likely a “European,” a white person, and someone who may or may not be a citizen of the country. The latter is a “person of color” who is a citizen of the country. The former is by local standards quite wealthy; the latter is not. The former may or may not know the local culture and language; the latter knows these things intimately “from the inside.” The former is on “my side of the line” in terms of race, language, and social and economic class. The latter is on the other side of the line in all these respects.

A third option is to leave the money with an organization with close ties to the village. This might be the Village Council, the Local Government Council, or a grassroots NGO (non-governmental organization).

For a variety of reasons, I am likely to leave the money with the lodge owner or the tour operating company. In other words, the money will exchange hands nationally but not culturally and racially. For one thing, I may believe that other white people are not going to steal from me but that non-whites might do so. That's a residue of racism that, even in my own liberal heart, is still there. I feel I can trust certain kinds of people – “my kinds of people” – while I should be wary of people different in important ways from me.

But this view need not be dismissed as simple racism. There is an aspect, as economists will point out, of incentives and leverage. If an ecolodge tour owner or a tour operator misuses the money, I have leverage over them. I can spread the word to my friends that these guys are untrustworthy; don't give them the business when they visit that country. If I leave the money with local people, however, this leverage is gone. There's nothing I can do if someone from that group runs off with the money.

Moreover, the quick negotiations carried out before I leave tomorrow morning are likely to take place over drinks in the tour lodge after sundown. The lodge owner comes over and says, “I hear you guys want to do something to help the local people.” And I say, “That's right. Sit down and have a drink.” And so we get together in the most comfortable and congenial of settings. I've just had an exhilarating day chasing wild animals. The sun has just set in a blaze of glory. We're drinking Chivas Regal. We laugh and look each other in the eyes and make the deal. This is what happens all the time in the real world: people are more likely to make deals when the circumstances are physically and socially comfortable.

Now imagine the alternative of trying to pass the money and responsibility over to someone who is local and doesn't speak my language. This person may not have even been in the lodge except being brought there some time ago for symbolic or feel-good purposes. He (the individual is almost certainly going to be a “he”) doesn't understand how deals are made within a racial group and social class to which he doesn't belong. So I'm very unlikely to turn cash and responsibility over to him. This isn't because any of us – the lodge owner, myself, the village chief – is a bad person. It's because comfort levels in these situations are very different. And comfort levels correlate positively with levels of interpersonal trust.



What about the third option: an organization rather than a person? That's not likely because as a short-term visitor I won't even know the organization exists unless the lodge owner mentions it to me as an option. Besides, it's much easier to negotiate with a person than with an organization, particularly if I have no idea of organizational dynamics and if time is of the

essence. Remember, I'm leaving early tomorrow morning. If this thing isn't settled within an hour, the whole deal is off.

What happens if I pass the money and responsibility to the lodge owner? For one thing, it increases stratification within a social system that now includes the village and the tourist lodge, giving the lodge owner even more money and leverage over the villagers than before. It means that villagers are now dependent not just on me but also on the lodge owner who will decide who wins the contract, who is hired to dig the well or put up the bridge's foundations. What it also does, in a much more subtle way, is to undercut local people's sense of self-reliance, autonomy, and dignity. After all, I said I wanted to help them. But when push came to shove, words to actions, I didn't trust any of them to get the job done.

If one reason for my helping others was to increase their capacity to make their own decisions and carry them out, then I have just undermined my own intentions.

- **Impulse Giving vs. Community Priorities**

Another point: the donor often decides what to do on an impulsive basis. This is entirely understandable. I'm in the village for one or at most two days. I thus have a window of a few hours within which to decide about something of which I was completely unaware before I entered the village. I'm walking along a dusty path near the village, and I see a little girl. She comes up to me, smiles broadly, and says, "Mister, I want to go to school. But I don't have the school fees." Well, that's it. I respond impulsively and generously to a human being, not to the Third World, not to the world's poor, but to this one little girl with the wide eyes and beguiling smile and utterly commendable desire to become a student.

What's not to like about this scenario? Part of its ethical value is its impulsiveness, its spontaneity. Things just happened this way; I didn't plan for them or expect them. And isn't it delightful to have a genuine, unexpected experience once in a while? Isn't that very possibility, at some deep level, why I decided to be a tourist and visit this far-off spot? What a contrast to my itinerary, which is planned down to the last 30 minutes!

But there is a downside. This unplanned encounter is a random event. I decide to pay the little girl's school fees or support the village primary school simply because I met the girl on the path. This has nothing to do with the needs or preferences of the village. There may or may not be a way to determine their collective preferences. But even if there is, I don't have the time or energy to find out what it is. Suppose that the villagers, or leaders in whom they



Jungle Bay community project,
Dominica. Credit: Jungle Bay

had confidence, felt that health or agriculture or a paved road to a large market town was a higher priority than education, shouldn't that have changed the content of my gift? Ideally, I want the gift to meet the wants, needs, priorities of the recipients. But given limited time and the emotional power of the random experience I just had, the chances of a comprehensive, thoughtful, deliberative process occurring, with many parties involved in the discussion, are just about nil.

- **The Recipient Must Take Ownership**

Does this matter in terms of implementation? It matters enormously, because at some point the recipient has to take ownership – psychological as well as legal and financial – of the project. If there is no ownership, if the key stakeholder in fact has minimal stake in the project's success, then what happens? When the school runs out of supplies; when the well silts up or its pump fails and no spare parts are available; when the drip irrigation pipe needs to be replaced; when the bridge cracks under the pressure of water surging over it in the next flood; when the school or clinic runs out of basic supplies, then local people will say, "This isn't our problem. This is something for the donor to come fix. After all, it was their idea from the start. They defined our needs, not we. They set our priorities, not we. They have the money for repair and maintenance, not we. We keep waiting for them to come to help, and they fail to do their part." In the meantime, of course, the donor's charitable investment is essentially wasted.

- **Donations Must Include Funds for Maintenance**

Anyone who has studied the sorry history of much foreign aid, involving transactions between a donor government or intergovernmental agency and a recipient government, must acknowledge the recurring problem of insufficient project maintenance. It's what happens after a project is completed and the ribbon-cutting ceremonies are performed that determines the rate of return on the investment. But all too frequently negotiations between donors and recipients are over the nature and location of the project, not over maintenance – or rather, not over who has the responsibility to cover maintenance costs. Because this key issue is glossed over, each side incorrectly assumes that the other will take care of problems when they arise. The predictable result of this misunderstanding is lack of maintenance, lack of spare parts, lack of training to repair machinery that fails. This, in turn, means that when a well silts up or a bridge cracks, the rate of return on a substantial infrastructural investment falls to zero. An observation that applies to aid relationships between large, bureaucratic governmental agencies applies as well to the small-scale, unofficial, non-bureaucratic examples on which I have focused.

So the dilemma I, the well-intentioned tourist, face is whether to make a quick, impulsive decision to fund a project in which I have some emotional investment, though with some vague awareness that it's not going to be "owned" by the people for whose benefit it is intended and consequently is unlikely to be sustained over time. There is no ready way out of this dilemma.

What this discussion indicates is that any negotiations over an aid project – large and small, involving governments or private individuals – should address the critical issue of who funds and administers project maintenance. If this issue cannot be resolved to mutual satisfaction at early stages of negotiations, then there is a good case for abandoning the project.

- **Reducing the Risks of Failure**

Let me conclude with some reflections on what should be done. I've focused on the ways in which a tourist's good intentions can lead to negative results. From this a reader might conclude that tourist philanthropy is a losing proposition and should be abandoned. But that is not my conclusion. Good intentions, while insufficient for ethical action, remain essential conditions for it. If a tourist is indifferent to the poverty and suffering observed during trips to the poorest parts of the earth, then the tourist will not be acting ethically in situations where

trying to use one's wealth and connections to help others is – I would argue – morally obligatory. If good intentions can produce bad outcomes, a starting point is frankly acknowledging that this is so. Such acknowledgement takes us on the right path: away from naiveté about human nature and human interactions, away from self-delusion and from premature self-congratulation about how noble we are. Where our expectations for success are too high, then the answer is to lower them, not to abandon expectations altogether. Where we have failed to examine incentives and disincentives built into project design, then we should build in positive incentives for key actors to do their job and reduce disincentives to sabotage the work. Once we identify the mechanisms by which a donor's good intentions can go astray, we can set up counter-mechanisms that anticipate problems and creatively bypass or overcome them. We can act philanthropically on a deliberately experimental basis, continually learning what works and doesn't work and refining behaviors and institutions so the chances for success next time are increased. The risk of failure is always there. The challenge is not to eliminate risk but to reduce it to a manageable level.

- **A Checklist of Criteria for Ethical Travelers' Philanthropy**

A specific recommendation is to turn to the third alternative mentioned in my earlier scenario about where the philanthropic tourist's money should be placed. I said very little then about grassroots organizations with local knowledge and local legitimacy, but now I'll say more. A tour lodge owner or tour operator has, I believe, a moral obligation to search for and identify such an organization, if it can be found, and to work closely with that organization to identify projects meeting the following criteria:

- ✓ Is the project sufficiently small-scale and low-tech that it can be implemented fairly easily, with substantial reliance on local labor and expertise?
- ✓ Is the project needed and desired by the local people? Assuming that there will be disagreements on this score, is there a mechanism – or could one be set up - to set local-level priorities and make them known to future tourists expressing a desire to help? An important factor here is getting advance commitments by local people to contribute “sweat equity” to a project. Their free labor reduces project costs, builds upon traditions of community self-reliance, and indicates collective commitment on the part of the beneficiaries to see a project through to the end. Free local labor increases the chances that the community will take psychological ownership of the project, maintain it after completion, and not fall into the dependency trap.
- ✓ Can agreement be reached in advance of starting a project as to who will finance and administer maintenance and repair costs of infrastructure, so there is a sustainable return on the tourists' philanthropic investment?
- ✓ Is the project likely to appeal to future tourists visiting the lodge?



- ✓ Can photographs be taken along the way toward completion, to demonstrate to tourists who have returned home that their money is being spent as intended and to meet the tourists' desire for visible evidence of their generosity's impact?
- ✓ Note in this scenario that potential recipients and handlers of philanthropic funds are acting preemptively, before the generous tourist even arrives. Ideally, they will have a feasible, widely accepted, attractive plan of action to suggest in the event that this future tourist expresses a desire to help. What is lost in spontaneity is gained in legitimacy and the likelihood of project sustainability.

On trips where I've been the faculty lecturer, we try to build into our itinerary a visit to at least one local NGO or a meeting with its leaders. In South Africa, our group has visited the violence prevention programs of the Amy Biehl Foundation. Amy was a student here at Stanford, and I taught her in her freshman year a course on southern Africa. She was murdered in 1993 at the conclusion of a Fulbright Fellowship in South Africa by young black men in the Cape Town township in which she was driving, men who wanted to take revenge on white "settlers" who had created the very system of apartheid Amy was fervently committed to fight. Of course I was deeply affected by her murder and by the transformation of her parents, who did the almost unthinkable thing of forgiving her killers, going on to establish programs in the townships to reduce violence and create employment for young people. In 1997, at the end of a trip down the African Great Rift Valley, our group worshiped at a Roman Catholic Church in Guguletu township, close to the site where Amy was killed. Our travelers had seen the best game parks in eastern and southern Africa. But what happened in Saint Gabriel's Church was, for many of us, by far the most memorable experience of the entire trip. It was incredibly moving for us to be dispersed in twos and threes throughout a black worshipping community that warmly welcomed us, to hear the sermon preached in three languages, and to join in the rousing singing of hymns, with teenagers accompanying the congregation on their marimbas. Yes, the large game animals we saw in the parks were impressive. But even more so was this human contact at a deep level, made possible through an organization with strong local roots.

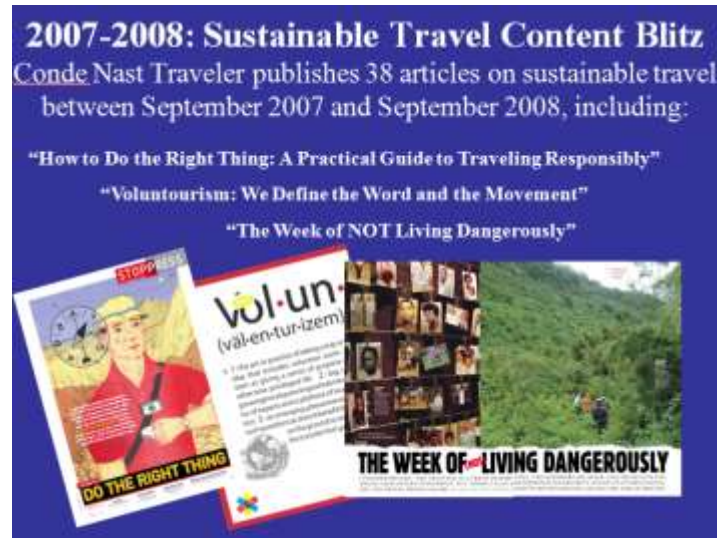
It helps if a grassroots organization has been vetted by an outside NGO with a good reputation and has a record of working well with the outside group. On other trips I've led I contacted the Global Fund for Women, a U.S.-based NGO which gives small grants to women's groups throughout the developing world, and the Ashoka Fellows Program, also U.S.-based, which identifies social entrepreneurs from developing countries who have initiated impressive development and social service projects. With their help I identify local organizations in the countries we will visit. We schedule a visit to the organization's headquarters and invite its leader to share a meal with us. While we ask these grassroots organizations not to solicit funds, Travel/Study tour managers make available to our travelers the organizations' names and addresses should a traveler choose privately to contribute to their work.

Identifying locally legitimate organizations and working with them to fulfill the criteria I've listed above increases the chances that tourist philanthropy will constitute ethical action. Success is never assured. Indeed, for the reasons I've given, it is unlikely. But if the chances of success can be raised a bit through the approach I suggest, the effort will have been worthwhile.¹

¹ This chapter is adapted from Dr. Abernethy's talk to the 1st International Travelers' Philanthropy Conference organized by CREST in April, 2004 at Stanford University.

Consumer Demand for Travelers' Philanthropy

Compiled by Martha Honey



Numerous surveys and studies have demonstrated the substantial and growing consumer interest in selecting companies that give back to local communities and conservation. Here are some of the findings.

- More than 2/3 of U.S. and Australian travelers, and 90% of British tourists, consider active protection of the environment, including support of local communities, to be part of a hotel's responsibility. (International Hotels Environment Initiative/IHEI, "Consumer Attitudes Towards the Role of Hotels in International Environmental Sustainability," 2002.)
- 46 million U.S. travelers chose companies that "donate part of their proceeds to charities." (CREST, "The Market for Responsible tourism Products with a Special Focus on Latin America and Nepal," prepared for SNV, March 2010.)
- In 2007, 74% of *Conde Nast Traveler* readers said hotels should be responsible for helping relieve poverty in local community. (*Condé Nast Traveler*, "The Ethical Traveler Index," 2007.)
- In the U.S., individuals represent the largest single source (75%) of philanthropic dollars: \$229 billion in 2007. (Giving USA Foundation, *Giving USA: The Annual Report on Philanthropy*, 2009.)
- More than 75% say their travel should not damage environment; 38% willing to pay more to use companies that benefit local communities and conservation. (Travel Industry of America and *National Geographic Traveler*, "Geotourism: The New Trend in Travel: Overview of American Travelers," 2003.)

- In the U.S., 80% of tourists say they want hotels they chose to not damage the environment is important, *but only 14%* ask if hotel has environmental policy. (IHEI, 2002.)
- 80% of tourists say it is important to them that the hotels they choose not damage the environment, *but only 14%* ask if hotel has environmental policy. (IHEI, 2002.)
- Euromonitor reported in 2008, a growing trend among North Americans, who may be time-starved but cash-rich, to take luxury vacations that include some philanthropy along with relaxation. (World Travel Mart, *World Travel Market Global Trends Report*, 2008.)
- A 2009 CMI Green survey found the following demand for travelers' philanthropy:
 - 38.2% are most comfortable giving to a local charity/nonprofit encountered while abroad.
 - 83.7% of travelers have donated between \$11 and \$500 to individuals or charitable organizations while traveling.
 - 37.9% are most likely to give to an environmental or conservation project.
 - 53.4% are most comfortable giving to a nonprofit in their home country that works in the country they are visiting.
 - 32.3% are most likely to give to an education related project.
 - 42.7% donated to individuals or organizations while traveling.
(CMI Green, *The CMI Traveler Survey 2009*, vol. 1, 2009.)
- *Conde Nast Traveler* magazine has done surveys to measure the interest of their readers in travelers' philanthropy. Their findings show:
 - A full 75% of readers say that they consider a property's environmental policy when choosing a hotel.
 - 73% of their readers would be willing to pay more to stay in a hotel that helps support the local community through health and education initiatives.
 - ❖ 20% would spend between 1-5% more
 - ❖ 29% would spend between 6-10% more
 - ❖ 24% would spend 10% more
 - *Conde Nast* readers expect hotels to:
 - Be environmentally friendly: 87%
 - Help to relieve poverty in local communities: 67%
 - Contributes a percentage of revenues to local communities: 65%
 - Where help should go: *Conde Nast* readers' priorities:
 - Employment: 93%
 - Clean Water: 86%
 - Education: 73%
 - Food: 72%
 - Healthcare: 65%
 - Shelter/lodging: 57%
 - Clothing: 51%

Why Travelers Become Philanthropists: Donor Motivations

By Jill Talladay, Graduate Student,
Sustainable Tourism, George Washington University

In order to better understand why travelers become donors, in-depth interviews were conducted with 12 Americans and one Canadian who traveled in Latin America, Asia, and Africa with one of four US-based tourism companies. The companies -- Country Walkers, Global Sojourns, Holbrook Travel, and Myths and Mountains – all have well developed travelers' philanthropy programs. They supplied a list of their donors who could be interviewed. The travelers interviewed live in eight different states or provinces, two thirds are female and all are either retired or current professionals; several described themselves as lifelong donors, while others said they became donors for the first time while traveling. The survey was conducted through a series of telephone interviews in July and August 2010.

The following summarizes the most pertinent responses to the survey questions.

- **What First Drew You to Philanthropy as a Part of Travel?**

Many of those interviewed said that a specific event or funding request convinced them to make their first financial contribution while traveling. A number said that they were originally inspired to donate by the head of the travel company. Some already knew this person through personal relationships. Others said they were moved to contribute when they first learned about the projects at a travel company's fundraising event where they met the head of the company. Several of those interviewed described themselves as experienced philanthropists who expanded their giving to support projects they learned of through travel.

In addition, many of those surveyed said that they were moved by visiting projects and witnessing the reactions of local beneficiaries. For instance, a technology consultant described the dedication of a library in Nepal that was built through Myths and Mountains' READ (Rural Education and Development) Global program, "The entire village took the day off to come to the ceremony." The READ program raises funds for libraries and small community business enterprises in Nepal, India, and Bhutan. (See Myths and Mountains and READ Global case study). This respondent added in gratitude and respect for the READ program, "Many residents have photos of Toni [Neubauer, the founder and owner of Myths and Mountains] visibly displayed as they might have a photo of their president." Another respondent, a 62-year-old male financial executive also inspired by the READ program, commented, "I only support projects that I know directly as I find it a lot more rewarding to spend money on things I can connect to, see, experience, and be involved with."



Donations to READ Global Library, Nepal.
Credit: Toni Neubauer

Two other interviewees commented that they witnessed the positive impact their site visits had upon young people who were on their trip. A 51 year-old woman who visited Honduras with Holbrook Travel explained, “I brought my nine-year-old son on the trip and he was initially embarrassed to be bringing pencils for local school kids. However, the experience opened his eyes and made him more aware of waste and consumption of our resources at home.” After a trip with Global Sojourns to South Africa, one donor recommended that “all high school students should be required to experience a philanthropic trip like this in order to understand and appreciate our differences and our similarities.”

- **What Type of Project(s) have You Selected to Support and Why?**

Those surveyed used terms such as “educational”, “capacity building” and “sustainable empowerment” to describe the types of projects they have chosen to support. Many noted that they selected projects where they could see that the community was receiving direct economic or educational benefits. These included schools and educational programs such as Global Sojourns’ empowerment workshops for girls. Holbrook Travel’s student trips to schools in Costa Rica have helped raise funds for scholarships, built a computer lab, and constructed a sidewalk along the busy road leading to the school. A 63-year-old retired travel agent explained that she decided to donate to educational programs because “when people are literate they have more control over their lives and it opens their world to opportunity.”

Other projects supported by interviewees centered on micro businesses. For instance, Global Sojourns supports garden projects in South Africa where communities grow and sell produce. All READ library projects require a business model that sustains the library through revenue generated from community businesses. In Nepal these include income from rental space and ambulance, telephone, and cable services. These projects “create ownership and trickle down into the community,” explained a 51 year-old male venture capitalist that traveled with Myths and Mountains.

Those surveyed indicated that they favor small grass roots initiatives with low overhead, clear and measurable goals, and a sustainable model to ensure their longevity. Global Sojourns’ clients provide support through “Giving Circles” that fund, typically for three years, small organizations and programs in Africa that make a direct and lasting impact upon those they serve. For instance, several of those who traveled with Global Sojourns said that they chose to support Ray of Hope, an organization that assists HIV/AIDS orphans with their education and other living expenses. Many of those interviewed emphasized that sustainability is an important component of projects they chose to support. A 69-year-old retired politician noted that he was pleased to find that “ongoing relationships are kept with all READ Global projects to assure their sustainability.”

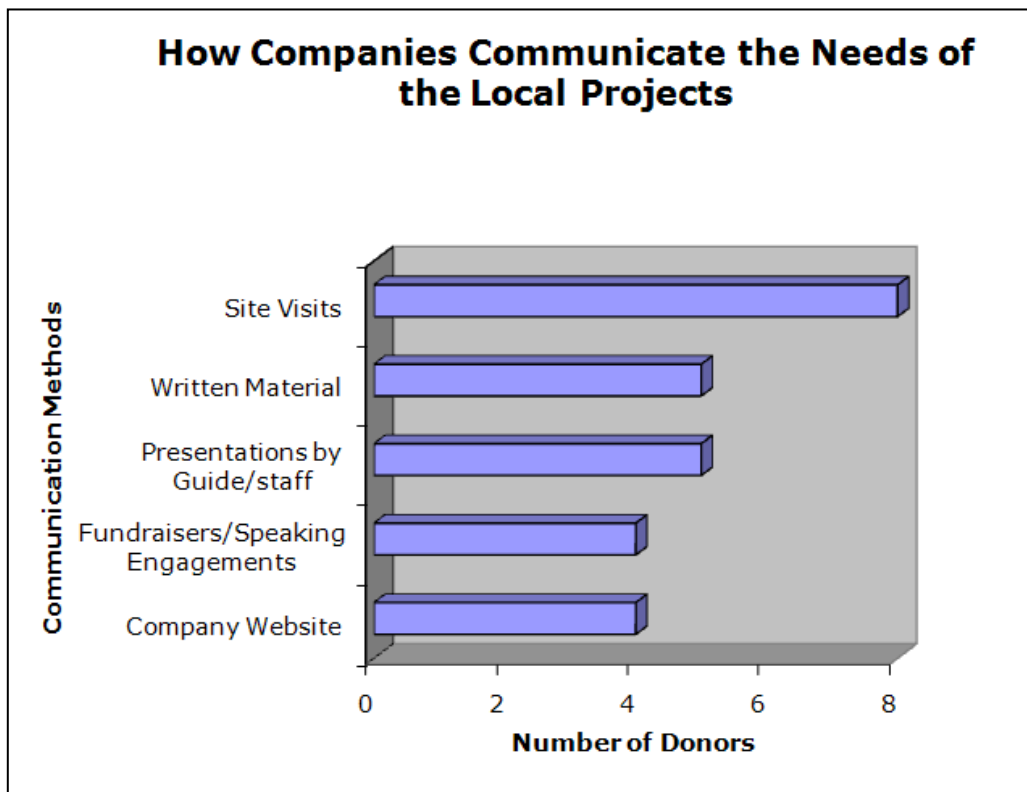


Giving Circle trip in southern Africa.
Credit:Global Sojourns

- **What Form of Communications was Most Effective in Helping You Reach a Decision to Contribute?**

Many of the donors interviewed said that the company they traveled with was very effective in its communications about the projects they were supporting. They reported that the companies use a variety of methods to give visitors information about the community projects they are assisting. These include written materials provided before or during a trip; onsite visits; presentations by community or company representatives; and post-trip updates, usually in the form of newsletters. Companies also provide information via their websites and, in some case, through emails and phone calls.

Those surveyed said that they found it most effective to hear directly from local leaders or to personally visit the local project or organization. An educator who traveled with Global Sojourns said she was “bought into the Giving Circles because it’s done in a truly responsible way.” A financial executive who traveled with Myths and Mountains stated, “Toni’s presentation was passionate and compelling and she, personally, was so credible” that he was hooked.



The majority of interviewees said that visiting the projects and seeing the impact of visitor donations was most important in convincing them to contribute. A 56-year-old real estate manager who traveled to Peru with Country Walkers said that her initial motivation was to see Manchu Picchu, however, it was her visit to the school in Peru, the commitment of her guide, and his pride in his community that inspired her to make a donation. The guide, Juan Carlos Yanez, “was so passionate about the needs of his community that he provided an emotional connection,” she explained.

When asked how the company or project could be more effective in its presentations, one third of the donors noted they would have liked to receive further updates about the progress of the

project. For example, one donor stated that she would be more apt to make subsequent donations if she were provided with ongoing progress reports and a basic “thank you.” A donor who traveled with Global Sojourns suggested that the local project might be provided with communication tools such as video camera and Internet access so that they could create their own promotional materials for donors. A certified financial planner who visited Nepal with Myths and Mountains suggested that “having a representative from the community project participate in fundraising and speaking engagements would add credibility and a direct connection to the projects. And they could also extend a personal invitation to potential donors to visit the project.”

- **When and How Did You Contribute?**

Those surveyed said that they made contributions in a variety of ways and at various times. Myths and Mountains adds a fixed amount for READ Global to the cost of the travel package, while other companies let travelers determine the amount they want to donate. Over half of those interviewed have made subsequent donations to the projects they first contributed to when traveling. Most donations were made after the trip and payable directly to the local project or to their nonprofit fiscal sponsor. Those who had traveled with Country Walkers said that the company “actually discourages direct donations during a trip” and instead provides a link to the local project through CREST’s Travelers’ Philanthropy website.



Giving Circle trip to southern Africa. Credit: Global Sojourns

Although both Giving Circles and READ Global websites both provide the ability to donate online, donors interviewed said that they prefer to donate by check. Global Sojourns’ Giving Circle offers an “annual membership,” with a suggested donation of \$1 per day. Two donors said they also make donations during the year as birthday or memorial gifts. In addition to financial donations, several Global Sojourns respondents said they also brought school supplies, mostly writing materials and books. Country Walkers sent tour participants ahead of time a list of supplies needed by the communities they would be visiting.

- **Approximately How Much Did You Contribute?**

Contributions among donors varied from over \$10,000 to under \$500 a year. The average annual donation of those surveyed was between \$1,000-\$2,000 per year.

My Role as a Guide in Promoting Travelers' Philanthropy

Juan Carlos Yanez
Guide, Country Walkers, Patacancha, Peru

Patacancha is an Andean community located at 13,700 ft. above sea level. It is predominantly a farming community and it is my home.

Road infrastructure is very limited here. That's why Patacancha villages are not yet significantly influenced by the outside world. Life is still much the way it was 500 years ago.

Education is a big problem in the countryside of Peru because we have limited access to modern schools, materials or techniques. Only 120 students go to school at Patacancha Primary. This represents 10 percent of the children who should be attending this school.



Patacancha women and children. Credit: Country Walkers

The distance to the school is an important reason why kids don't go to school. For instance, Alejandrina Cusi Yupanqui, a 10 year old girl, must walk 3 hours to school and 3.5 hours back every day.

Tourism guides like me can get guests interested in Peru and educate them about the specific real life problems faced by children in the countryside, such as lack of available education. I take my guests to see Alejandrina's school. We drive up to 14,100 feet, to Alejandrina's home, and we hike the same 3 hour route that she walks every day to school. Ironically, what for Alejandrina is an everyday walk is a holiday hike for us -- except that Alejandrina doesn't use walking sticks like our guests. And she wears sandals made out of recycled rubber tires instead of proper walking shoes.

After our 3 hour walk, we visit a local Patacancha home where some friends of mine (Saturnina and her family) allow the guests us to see how life happens indoors. It is a very gratifying experience to share a few moments with a local family who still speak the language of the Incas in their everyday activities.

We visit the Patacancha school that Alejandrina attends, and meet the principal, Mauro Crisostomo Masias Condori. He openly answers questions from our guests who at that point are very immersed in the needs of the community.



Trout Farm Inauguration, Patacancha.
Credit: Country Walkers

Mauro is a very talented teacher with a clear vision of what constitutes “real progress” in a community like Patacancha. He knows the challenges for the children of this area so he is able to convincingly explain to my guests the school’s real needs. For instance, we have learned that his students don’t consume enough iron in their diet which has a very important impact on the learning process.

He suggested that more children would attend school if they could be housed in dormitories because distance is such an obstacle. Living at the school would give many more Patacancha young people a better chance to get an education. From Mauro, we also learned that parents need to be persuaded that sending their kids to school is essential for development of both their futures and of Peruvian society.

After these experiences, we have a picnic lunch near Patacancha, with a bottle of wine on the table. So the day is not just about learning and fostering philanthropy. At this point guests are truly indulged by Country Walkers picnic style!



Students at Patacancha School, Peru.
Credit: Country Walker

How do we succeed in encouraging donations from our guests to support the school and the children of Patacancha?

- Before they depart, guests are informed by Country Walkers and the Trip Planner about our “giving back” program which identifies worthy community projects in the areas where we will be walking together. Travelers to Patacancha, are asked to bring school supplies with them from home. The donated supplies are given to the teachers.
- In the “Orientation meeting” at the start of the tour we prepare our guests so they are looking forward to visiting the school and being surrounded by Andean life.
- Over the next 3 days, guests learn of the successes and failures of Peruvian government projects in the Andean regions we are walking through.
- This way on day 4, guests are prepared for an “eye opening” experience.
- Getting into an Andean home and not creating a “touristy” environment is a key factor in the success of this process.
- Visiting the school and seeing the kids in a rather happy environment inspires guests to want to help. Because of the preparation they receive, guests understand that the Patacancha school is a key part of the vision for improved life in Andean communities.
- We encourage guests to learn more about our project by logging on to CREST’s Travelers’ Philanthropy site at www.travelersphilanthropy.com. This online donations site has solved our problems of delivering money for our school project securely and with minimum bank charges. In addition, CREST has a good reputation and provides an avenue for tax deductible donations.

Legal Issues: Incentives to Give²

Center for Responsible Travel (CREST) and
Keir Gumbs
Partner, Covington & Burling, LLP
Washington, DC

The following is a summary of tax deductible policies in leading tourism countries It was researched and assembled by CREST staff and interns based on government tax documents and other sources. The U.S. sections were reviewed by Keir Gumbs and other lawyers at Covington & Burling LLP. Further details and updates should be checked for each country.

1. How do I Make Sure my Donation is Tax Deductible?

Different countries offer incentives for citizens to make charitable contributions, and some offer the opportunity to deduct the value of donations from personal income taxes.

- **For U.S. Taxpayers³**

For a United States taxpayer, a cash donation made to a U.S. charity that is registered under section 501(c)(3) of the Internal Revenue Code is generally deductible for U.S. federal income tax purposes if the donor itemizes his or her deductions. Donations made by a U.S. taxpayer to charities that are outside the U.S. generally may not be deducted. Some charitable projects abroad have established their own charitable organizations in the U.S. or partnered with existing U.S. charities or nonprofits -- like www.travelersphilanthropy.org -- for just this purpose. If the tax deduction is important to you, look for registered charities. In most cases, but particularly for any contribution of \$250 or more, donors should seek and retain a written acknowledgement of the contribution from the recipient organization.

- **For Canadian Taxpayers⁴**

Canadians wishing to receive tax deductions from their charitable donations should be sure to only donate to organizations which have been registered with the Charities Listings of the Canadian Revenue Agency (CRA). For a donation to qualify for a tax reduction, the donation (whether goods, property, securities, or other assets) should be fully transferred to one of the CRA's registered organizations, and the transfer must be made voluntarily.

Generally, Canadians cannot receive a tax reduction on their income tax for donations made to registered United States charities. However, if a donor has a source of income from the United States, he or she can claim the fair market value of any donations to United States charities that would be permitted on a U.S. return for up to 75 percent of the net U.S. income for the Canadian return.

- **For UK Taxpayers⁵**

² Several CREST staff and interns assisted with the research. The text was reviewed by several lawyers at Covington & Burling.

³ *Charitable Contributions.*, Department of Treasury- Internal Revenue Service Pub 1771, (Rev. 3-2008) Catalogue number 20054Q.

⁴ Canada Revenue Agency. *Non-Profit Organizations*, <http://www.cra-arc.gc.ca/E/pub/tp/it496r/it496r-e.html>.

In the UK, there are three main ways of donating that ensure tax-efficient contributions to a broad host of organizations. These methods include utilizing Gift Aid, a system that allows charities to gain extra money from taxpayers' contributions, donating directly from a paycheck or pension, or giving/selling assets to charity at no net personal profit.

Gift Aid is a service that expands donations by treating them as though the donor has already deducted the basic rate income tax (20 percent). Charities are then available to reclaim that tax from HM Revenue and Customs – thus allowing the initial donation to grow by 25 percent. Taxpayers that are eligible for Gift Aid are those who have (in that fiscal year) paid the same amount of Income/Capital Gains Tax as the amount of the basic rate tax that the charity attempts to reclaim on the donation. From there, a donor must fill out a Gift Aid declaration form. This form will cover all gifts the donor makes to the charity for whatever desired period. The declaration form should include the donor's full name, home address, the name of the charity, the details of the donation, and confirmation that it is a Gift Aid donation.⁶

Payroll Giving allows employees or pension recipients to donate directly from these sources before any income tax can be deducted. The income tax is then applied only to the remainder of the individual's paycheck or pension – allowing them to receive immediate tax relief on their donation. Those individuals wishing to donate through Payroll Giving must meet the following requirements: that he or she is an employee and is paid weekly/monthly through PAYE (Pay as You Earn), and that his or her company/pension provider deducts tax through PAYE. In order to make a donation, the employee or pension recipient must authorize his or her company/provider to make the deduction. From there, the company/provider will pass that amount on to a Payroll Giving Agency that then delivers the gift to the selected charities.

Citizens of the United Kingdom can receive tax-relief by giving or selling assets (at less than their market value) to charities. Those assets which are applicable for tax-relief include shares listed or dealt on the United Kingdom's or another recognized stock exchange, units in an Authorized Unit Trust (AUT), shares in a United Kingdom Open-Ended Investment Company (OEIC), systems outside of the United Kingdom that are similar to AUT's and OEIC's, and other land and property in the UK. The donor should always contact the charity and confirm that it can/will accept his or her proposed donation. If the charity accepts and/or buys the donor's assets, the donor can then calculate his or her tax deduction. If the asset was presented as a gift, then the donor should add the market value of the asset and any associated costs (such as legal fees). From there, the donor should deduct any value he or she (or any related persons) would receive as a result of the donation. This number is the amount of the deduction. If the donor sold the asset to the charity for less than the market value (a requirement for the transaction to be considered tax-deductible), the procedure for determining the deduction is the same as that for a gift, but the donor must also deduct the amount of money he received for the asset.

- **For German Taxpayers⁷**

⁵ "480 Expenses and benefits, A tax guide," 2010, <http://www.hmrc.gov.uk/guidance/480.pdf>.

⁶ "Directgov - Gift Aid, 2010,"

http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ManagingMoney/GivingMoneyToCharity/DG_1001509.

⁷ Bundesfinanzministerium Deutschland (German Ministry of Finance), www.bundesfinanzministerium.de.

A donor can receive tax-relief for donations of up to 20% of his or her annual taxable income. Such donations may be claimed as tax-exempt. Donations exceeding the limit above can be carried over into the following fiscal years.

For donations made in member countries of the European Union:

German citizens can receive a tax-deduction for donations made to organizations based in other nations that are members of the European Union. The receiving organization, however, must be acknowledged by the German government to be adequately benefitting the public before a tax-deduction can be confirmed. The German taxpayer should be given the opportunity to provide proof that the receiving organization pursues initiatives that would qualify it as an equivalent 'public-benefit' organization by the government of Germany.

For donations made in countries that are not members of the European Union:

The receiving international organization must be based in/have a receiving platform in Germany in order for donating taxpayers to receive a deduction on charitable donations.

- **For Australian Taxpayers⁸**

Tax concessions may be claimed by the donor. This is the person, organization, company, trust or other type of tax payer that makes the gift. In order to claim a tax deduction, the donation must be made to what is known as a 'Deductible Gift Recipient' (DGR). These are the organizations that are endorsed by the Australian Taxation Office in their own right, or in relation to a particular fund. In order to claim a tax concession, your donation must 'truly be a gift'. That is, the donation must hold the following characteristics:

- there is a transfer of money or property
- they are made voluntarily
- the transfer arises by way of goodwill and good intention, and
- no material benefit or advantage is received by the donor.
- Money valued at AU\$2 or more.

- **For French Taxpayers⁹**

French citizens are eligible for a form of tax-relief when they donate to charitable organizations. In order to receive a deduction on a tax bill, the individual must have donated before December 31st of the previous year. In France, tax relief as a result of philanthropic giving is determined according to a two-tier system.

The upper tier is composed of recognized organizations which feed, accommodate, provide medical and/or dental care, or otherwise assist people in need either in France or abroad. 75% of donations to organizations which have proven to pursue these causes can be deducted from an individual's annual tax bill. However the 75% only applies to the first 510 Euros of a donation; any additional value is deducted at a rate of 66% up to 20% of an individual's yearly taxable income.

⁸ Australian Taxation Office (2010), *Making tax deductible donations*. <http://www.ato.gov.au/nonprofit>.

⁹ CIC Tax System in France. <https://www.cic.fr/en/bank/personal-banking/settling-in-france/tax-system-in-france/index.html#13>.

The second tier includes recognized, non-profit organizations which are considered to be the French equivalents of English charities or have proven to benefit or stimulate the public – such as humanitarian, familial, religious, environmental, cultural, sportive, artistic, educational, scientific, or community-driven bodies. 66% of any donations made to organizations that have proven to pursue these causes can be deducted from an individual's yearly taxable income.

In these cases, donations include (but are not limited to) monetary donations from either vocational or investment-driven income, the allowance of a charity to use private property or premises, subscriptions to charities, and/or expenses incurred while volunteering at a charitable organization.

If an individual's gift exceeds the limits noted above, a donation may be carried over for deduction purposes for up to five years.

2. Is There a Tax Deduction for Donated Goods or Items?

- **For U.S. Taxpayers**

Yes. U.S. donors generally can deduct the fair market value of the donated item for federal income tax purposes, provided that the organization accepting the donation is going to use the property in carrying out its exempt activities. Fair market value is the price the item would sell for on the open market if it were sold in its current condition. Be sure to collect and retain documentation of your donation and any accompanying appraisals (required for donations of property other than marketable securities greater than \$5,000).

- **For Canadian Taxpayers**

Yes. If the fair market value cannot be easily determined, the donor and/or the receiving registered charity may need to have the property appraised to verify this value. In general, this is the amount of the tax deduction, provided that the donor receives no benefits as a result of his or her contribution. If such benefits are given, the donor must be sure to deduct their value from the fair market price of the assets or property to determine the modified tax deduction.

- **For UK Taxpayers**

As noted in the above section, UK citizens can receive a tax deduction for donated goods or assets. If the asset was presented as a gift, then the donor should add the market value of the asset and any associated costs (such as legal fees). From there, the donor should deduct any value he or she (or any related persons) would receive as a result of the donation. This number is the amount of the deduction. This form of tax-relief can only be claimed in the year that the gift was given. Donors should be sure to collect and keep share transfer documents, a certificate from the charity or organization which certifies that the assets have been transferred over to them, and any written requests from the organization to sell the goods or assets on its behalf.

- **For German Taxpayers**

Like U.S. citizens, Germans can also deduct the fair market value of donated item(s) from their income. However, these material donations must comply with the same rules and restrictions that have been established for monetary donations; i.e. tax relief is capped at 20% of an individual's annual taxable income (or equivalent), and donations must be made to organizations in Germany or in other E.U. member nations and must be approved by the German government, etc. Donors must also be sure to present appropriate documentation of their donations to the Ministry of Finance when necessary.

- **For Australian Taxpayers**

Yes. As in the case of donations of money, tax concessions are permitted in the case of donations made to a Deductible Gift Recipient. Once again, the donation of goods or items must 'truly be a gift'. In order to claim tax deductions on goods or items, the donation must be one of the following types:

- Property valued at more than AU\$5000 and must be owned by the donor for less than 12 months
- Shares that are valued at AU\$5000 or less at the time of donation and owned by the donor for less than 12 months
- Trading Stocks which are disposed of outside of the usual course of business
- Cultural Gifts, donated under the Cultural gifts program
- Heritage Gifts, which include places that are recognized in the National Heritage list, the Commonwealth Heritage list or the Register of the National Estate.

- **For French Taxpayers**

French citizens can receive a tax-deduction for the market value of property and items in good condition. The limits and percentage of deduction for these goods should correspond with the tier system as noted above. In order to ensure the deduction, donors should be sure to obtain valid documentation of the gift from the beneficiary organization.

3. Can I Deduct the Value of My Time Spent Volunteering?

- **For U.S. Taxpayers¹⁰**

No. U.S. taxpayers may not deduct the value of time spent volunteering for purposes of federal income taxation. They may, however, deduct unreimbursed expenses incurred as a direct result of volunteering activities, but the expenses must be ones the charity would otherwise have to incur, not personal expenses of the volunteer. For example, volunteers may deduct the cost of materials they donate for use in repairs to a health clinic, or supplies they use in leading activities at a day care center. However, volunteers may not deduct personal expenses such as meals eaten during a break in a local service project, or transportation to and from a school where they donate their time.

- **For Canadian Taxpayers**

¹⁰ Conrad Teitell, *Tax Deductions for Volunteers*, 2007, <http://www.tgci.com/magazine/Tax%20Deductions%20for%20Volunteers.pdf>.

Like the U.S., Canadian volunteers currently cannot deduct the cash value of time spent volunteering from their income taxes, but they can deduct out-of-pocket expenses directly related to volunteer work in exchange for the reimbursement of cash or a check. However, in order for the expenditures to become tax deductible, the volunteer/donor must provide the charity with a written statement expressing his or her desire for a donation receipt instead of reimbursement. At this point, the donation receipt is valid for deduction on the volunteer/donor's income tax.

- **For UK Taxpayers**

Citizens of the United Kingdom, similar to those of the United States, cannot claim a tax deduction for time spent volunteering but are capable of receiving tax relief for any expenses incurred as a direct result of volunteering activities – expenses that the charity would otherwise have to incur and/or expenses for which the charity did not reimburse the volunteer. Again, like the United States, these expenses must be directly related to the operations of the organization and the individual's work as a volunteer.

- **For German Taxpayers**

Taxpayers working on a voluntary basis can earn up to 500 tax-free Euros per year. The work must be part time and should not be the individual's primary source of income.

Taxpayers working on a voluntary basis in areas of child or adolescent skill development (such as coaching a sport or instructing art or music lessons) can earn up to 2,100 tax-free Euros per year. Again, this work must be part time and should not be the individual's primary source of income.

- **For Australian Taxpayers**

Volunteering is not considered a donation of goods (money or property) and therefore, the time spent volunteering is not considered a tax deductible item. However, any expenses incurred while volunteering for an organization that is listed as a Deductible Gift Recipient may be tax deductible. In this case, any expenses incurred are considered 'a gift' and should be consistent with those characteristics previously mentioned as tax deductible gifts.

- **For French Taxpayers**

French citizens, like those of several nations listed above, cannot claim a tax reduction for the cash-value of their time spent volunteering. They can, however, receive tax-relief for any necessary and unreimbursed expenses incurred while volunteering.

4. What Kind of Documentation Do I Need?

- **For U.S. Taxpayers**

For U.S. taxpayers, a donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a written acknowledgment of the contribution from the recipient organization. Donors should seek written acknowledgement that includes:

- a. the name of the organization a donation was made to,
- b. amount of cash contribution,
- c. description (but not the value) of non-cash contributions,
- d. a statement that no goods or services were provided by the organization in return for the contribution, if that was the case

It is not necessary to include either the donor's social security number or tax identification number on the acknowledgment.

For contributions of less than \$250 where the donor does not have a written acknowledgement from the charity, the donor must maintain a bank record (such as a cancelled check) as proof of the contribution.

- **For Canadian Taxpayers**

If the donor files tax returns electronically, he or she must keep official donation receipts from registered charities in the event that the Canadian Revenue Agency should ask to see them. If the donor files tax returns manually, he or she should submit donation receipts with their completed paperwork. Official donation receipts should indicate the eligible amount (fair market value) of the gift subtracted by the value of any benefits received in exchange for the donation. Donors are also encouraged to keep any documents related to their donation, including checks, pledge forms, and proof of payment.

- **For UK Taxpayers**

Because the UK methods of making charitable donations are often completed via organizations which are directly integrated with taxation offices such as Gift Aid and Payroll Giving, donors should keep careful records of their contributions but may not be required to present these records or other forms of documentation in order to receive a tax deduction. Payroll Giving yields an immediate tax deduction when it subtracts an individual's donation from his or her salary (and therefore decreases the amount to be taxed) before an income tax is calculated. Gift Aid works intimately with taxation offices, as a donor must meet certain annual tax requirements before a gift can be made. The necessary documentation for donation of assets has been included above, but, to reiterate, records of those transactions should include share transfer documents, a certificate from the charity or organization which certifies that the assets have been transferred over to them, and any written requests from the organization to sell the goods or assets on its behalf.

- **For German Taxpayers**

Donations up to 200 Euros require donation confirmations of either an accounting record or a cash deposit receipt. Donations exceeding 200 Euros require a donation receipt from the receiving organization.

- **For Australian Taxpayers**

Donors wishing to receive a tax deduction on donations made to Deductible Gift Recipients should ensure that they keep a record of all gifts made. This will be of use in lodging a tax return, and should be kept for 5 years in case of auditing. In the case of Property donations, additional valuations may be required and recorded. Any claims made cannot create a tax loss for the donor; however, claims may be spread over a period of up to 5 years. If this is the case, then additional documentation is required from the Australian Taxation Office.

- **For French Taxpayers**

Individuals wishing to receive a tax-deduction for their donation should be sure to obtain either a donation receipt or certificate to present to his or her local tax office. Taxpayers who declare online do not need to submit documentation, but should keep all record of donations in the event that proof is requested.

The discussion of the U.S. federal income tax treatment of charitable donations, which was reviewed by Covington & Burling LLP, is not intended to be, nor should it be construed to be, legal or tax advice to any particular person. Accordingly, you are urged to consult your own tax advisors with respect to the U.S. federal income tax treatment of charitable donations. Similarly, please be advised that the preceding information on other countries does not constitute legal advice and is not meant to provide a complete discussion of tax compliance issues. Please consult legal counsel if further assistance or a more detailed analysis is needed.