

# **Knowledge, cooperation and trust**

*Analysing and improving philanthropy in Chile*



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# Abstract

Despite philanthropy's changing nature, the modern tendency is to conduct 'impact philanthropy'. Although in line with philanthropy's essence of altruism, this new philanthropy differs from other traditional forms in that it intends to optimise non-profit organisations' approach to social matters requiring intervention.

While seeking to conduct impact philanthropy, Chilean non-profit organisations encounter significant challenges to obtain sufficient resources. This situation was caused by three main factors, namely society's limited philanthropic knowledge, lack of cooperation and insufficient trust.

Following an examination of the philanthropic challenges faced by the non-profit sector, this study proposes the creation of 'The Giving Community', a new holistic philanthropic approach with the objective of fostering philanthropy in Chilean society.

**Keywords:** impact philanthropy, philanthropic challenges, third sector, civil society, Chilean philanthropy, citizen philanthropic practice.

## Executive summary

A new form of philanthropy called ‘impact philanthropy’ intends to ease social needs more efficiently than conventional approaches. While seeking to conduct impact philanthropy, Chilean non-profit organisations are facing considerable difficulties to obtain both economic and human resources, which hampers their ability to achieve their intended goals. The present paper thus analyses the philanthropic dynamics of Chilean society.

In Chile, different levels of ‘citizen philanthropic practice’ coexist. The first level corresponds to ‘reactive philanthropy’ – spontaneous one-time money donations –, the second level to ‘planned philanthropy’ – regular money donations –, and the third level to ‘engagement philanthropy’ – donations of time and expertise, among other resources, through volunteering –. Currently, the preference of citizens is to undertake a reactive form of philanthropy, leaving planned philanthropy and engagement philanthropy behind. Such preference directly affects the scope of action of non-profit organisations and is driven by three main causes: limited philanthropic knowledge among citizens and the non-profit sector; lack of cooperation among organisations and between citizens and organisations; and society’s lack of trust in the non-profit sector.

Increasing knowledge, cooperation and trust could therefore be the most appropriate way to foster philanthropy among Chilean society. Yet, as the three conflict areas are closely interrelated, a holistic approach would be the only possible manner to tackle these challenges. It is for this reason that this paper proposes the implementation of a new philanthropic approach called ‘The Giving Community’, by which all knowledge, cooperation and trust would be enhanced in the third sector.

The Giving Community would characterise itself by its cooperative – formed by different non-profit organisations with different fields of expertise –, democratic and transparent structure. It would be in charge of both ensuring the legitimacy of member organisations and offering the best projects to its funding members.

Through a knowledge-building mission, this approach would increase philanthropic and third sector knowledge among common citizens and non-profit professionals. This would facilitate the understanding of civil society dynamics and the importance of

cooperation within third sector institutions and with society. Cooperation would thus be enhanced, expanding the scope of action of non-profit organisations. Subsequently, the greater the scope of action, the greater the sector's potential social impact. Furthermore, by maintaining high transparency levels regarding non-profit organisations' governance, achievements and goals, public trust would gradually rise.

The Giving Community would benefit society, non-profit organisations, funding members and the state, without causing any party to become worse-off. Society would benefit from 'better' and greater philanthropic action; non-profit organisations' support would increase due to greater knowledge and cooperation; funding members would gain greater social acceptance and save time, all linked to the centralisation and digitalisation of philanthropy; and the state would benefit from a safer, healthier and wealthier society if Chilean philanthropy is optimised.

This philanthropic approach would ultimately increase the number of participants in both planned and engagement philanthropy, fostering philanthropy among Chilean society as a result. In this sense, the different degree of commitment required by each type of philanthropy should not prevent potential donors or philanthropists from conducting their respective endowments. Hence, the citizen philanthropic practice in Chile would be reshaped, advocating for a greater balance within the three different kinds of philanthropy and, subsequently, strengthening the third sector as a whole.

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## **Acronyms and abbreviations**

AD	After Death
AR	Activa Research
BdC	Bomberos de Chile
BC	Before Christ
CAF	Charities Aid Foundation
CEP	Center for Effective Philanthropy
CI	Conductor institutions
CF	Chilean firefighters
CLP	Chilean peso(s)
CPCC	Corporación Patrimonio Cultural de Chile
CSOs	Civil society organisations
FM	Funding members
FONASA	Fondo Nacional de Salud
FT	Fundación Trascender
GBP	British pound(s) sterling
GC	Giving circles
HICS	Hauser Institute for Civil Society
JNCBC	Junta Nacional de Cuerpo de Bomberos de Chile
NPO	Non-profit organisations
PDI	Policía de Investigaciones de Chile
SM	Stimulating members
TGC	The Giving Community
UBS	Union Bank of Switzerland
UNDP	United Nations Development Programme

# **Introduction**

## **Background**

Philanthropy has always been part of the essence of humanity and a highly contested field of study. Although philanthropy is constantly facing changes in the way it is performed and understood, at present there is a common tendency to favour a new form of philanthropy called ‘impact philanthropy’. Such philanthropic model intends to ease social needs more efficiently and requires the non-profit organisations that implement it to remain accountable and transparent.

In Chile, third sector organisations are facing considerable difficulties to obtain both economic and human resources, which hampers their ability to undertake impact philanthropy and achieve their intended goals. Such resource scarcity is attributable to three problematic areas: limited philanthropic knowledge among citizens and the non-profit sector; lack of cooperation among organisations and between citizens and organisations; and society’s lack of trust in the non-profit sector.

## **Aims and objectives**

The purpose of the present paper is to understand the philanthropic dynamics of Chilean society, comprehend the challenges it faces, and propose a potential solution to foster philanthropy among Chilean society.

Throughout the text, four main questions and their implications will be explored:

- What is the role that the third sector plays in society?
- How could philanthropy be fostered among Chilean society?
- How can knowledge, cooperation and trust be increased in the third sector?
- Would enhancing philanthropy in Chile negatively affect non-profit organisations, society or the state?

## Structure

The present paper is composed of three theoretical chapters aimed at understanding the reality of the third sector in Chile and one chapter in which a potential solution is proposed. Chapter 1 comprises an introduction to the world of philanthropy and the current philanthropic trends. Chapter 2 provides an overview of the Chilean philanthropic system and the challenges it is presently facing. Chapter 3 further explains the influence of transparency on the reinforcement of public trust in the third sector of the country. Lastly, Chapter 4 proposes a new holistic philanthropic approach to tackle the previously exposed challenges of civil society.

## Methodology

The present investigation adopted an ethnographic approach and employed both quantitative and qualitative research methods, combining them with desk-based research characterised by the centrality of both grey and academic literature (Scheyvens, 2014; Hammett *et al.*, 2015). The researcher remained in Santiago de Chile for eight weeks. During this time, the researcher developed relationships with the study's community of interest, attended a relevant conference, and acquired valuable knowledge by working with the collaborating organisation, *Empatthy*. Given that the official language of Chile is the researcher's mother tongue, during the stay, communication was fluent at all times.

Via digital tools, quantitative data was gathered through the dissemination of a questionnaire aimed at Chilean society, which achieved fifty-one participants (see Questionnaire). Furthermore, qualitative research was conducted in the form of participatory observation, field notes and semi-structured interviews.

Sixteen individuals participated in the semi-structured interviews. There were two different profiles among the interviewees: eight 'professionals', who belonged to non-profit organisations; and eight 'non-professionals', formed by five common citizens and three Chilean firefighters. A template of the professionals' and non-professionals' – both common citizens and Chilean firefighters – interviews are to be found at the end of the present paper (see Interview templates). Nevertheless, these templates are only to be taken as a reference point about how interviews were conducted, as all interviews were prepared according to the profile of each interviewee and the path of each interview changed according to their responses.

Before each interview, all participants read and signed an information sheet and a consent form. All interviews were recorded and transcribed. Yet, in order to respect interviewees' privacy, transcriptions will remain confidential and they will be referenced throughout the paper by the code 'I.x', 'I' corresponding to 'Interviewee' and 'x' to the number assigned to each of them. In some cases, the statements of the interviewees will be translated by the author and quoted. In this case, the code will be 'I.x: p', where 'p' refers to the transcription's page number in which the fragment is to be found.

# 1. Past and present of philanthropy

Marty Sulek (2010b) once stated that “[p]roper definitions are critically important to the analysis and expression of ideas, for meaning assigned to words fundamentally shape and direct the path of discourse” (2010b: 193). In accordance with the author, this chapter briefly intends to bring the reader to deep thought about the meaning, evolution and implications of philanthropy in our society.

## 1.1. The background of ‘philanthropy’

‘Philanthropy’, derived from the ancient Greek concept *philanthrôpía*, is a highly contested term. Etymologically, this noun is compounded by the root words *phileô* and *anthrôpos*, meaning ‘love’ and ‘humankind’ respectively, therefore giving it the meaning of ‘love for humankind’ (Sulek, 2010a). Yet, over time, the value of the concept has changed to the point where the term has endless connotations and its meaning is determined by the particular interests and beliefs of the person employing the word (Sulek, 2010b; Seel, 2012; Reich *et al.*, 2016). For example, in line with Francis Bacon’s (1789) interpretation, Ciconte and Jacob (2009) understand philanthropy as a tendency to do good which has a direct influence on the wellbeing of society. Other authors such as Frumkin (2006) and Salamon (2014) expand on this definition and refer to this concept as the giving of private assets for public purposes and as a source of income for private non-profit organisations (henceforth ‘NPOs’).

The latter interpretation is particularly relevant as, in practice, ‘philanthropy’ is frequently referred to as “significant donations of money to charitable causes”, even though philanthropists can become so by donating not only financial resources but also time or expertise, among other possibilities (Moody and Breeze, 2016: xiii). How is it, then, that the interpretation of ‘philanthropy’ has changed from the broad notion of ‘love for humankind’ to a very specific conceptualisation such as ‘significant donations of money to charitable causes’, which entails both a focus on money and a focus on a social concern?

Philanthropy arises as a necessary and highly valuable complement in order to meet social demands. In fact, already in ancient times, thinkers such as Aristotle (384-322 BC)

and Seneca (4 BC-AD 65) analysed the essence of ‘good’ giving and receiving, providing guidelines that are still considered as a reference to date. While Aristotle claimed that the capacity of society to be philanthropic and care for others is indispensable for human prosperity, Seneca analysed the motivation by which a gift is given, emphasising the ‘spirit of kindness’ (Kass, 2007; Moody and Breeze, 2016).

Despite the different views on it, as discussed, the presence of philanthropy in history is undeniable. Due to its quasi omnipresence over the last two millennia, the influence of philanthropy over time has had an impact on society. Indeed, although perhaps unconsciously, we presently regularly profit from past and present donors’ efforts. Philanthropists have played a central role in the establishment of civic values and have enabled the implementation of relief strategies for the poor, medical discoveries, and the building and improvement of cities with the creation of community facilities such as ‘voluntary’ schools and hospitals (Robbins, 2006; Cunningham, 2016). Indeed, both Robbins (2006) and Cunningham (2016) agree that this philanthropic influence laid the foundations of the so-called ‘civil society’ or ‘third sector of society’, defined by Mercer and Green (2012) as “the institutional space between the family and the state” and the driving force of community engagement, accountability, and public service monitoring (2012: 107). Furthermore, Bernholz (2017) gives a more concise definition sustaining that “civil society is meant to be a third space where we voluntarily come together to take action as private citizens for the public good” (2017: 9).

Currently, non-profit theorists argue that there are three main sectors of society<sup>1</sup>: the market, the state and the civil society respectively (see Figure 1). The main characteristic of the civil society or third sector, which sets it apart from the other two sectors, is that it is supply-driven. In other words, while both the state and the market abide by customers and voters’ demands, outcomes in the third sector vary depending on the philanthropic resources available (Pestoff, 2005; Edwards, 2014; Moody and Breeze, 2016; Kallman and Clark, 2019).

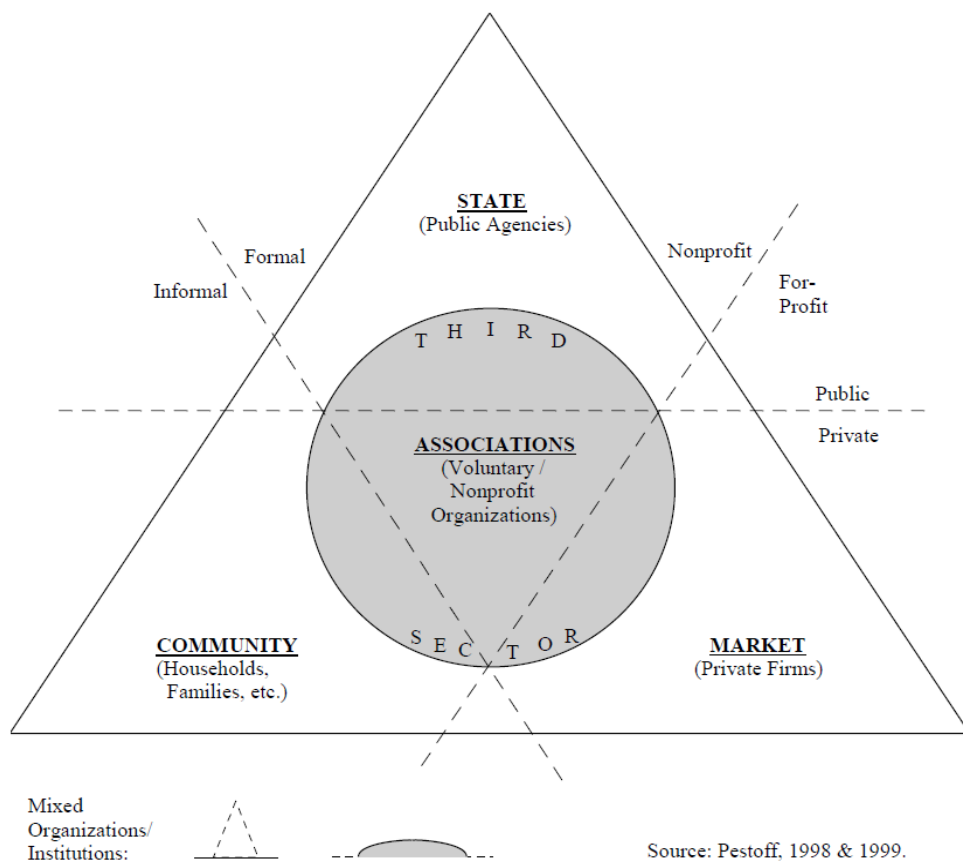
Thus, the third sector requires funding, and such funding is often provided either by contributions from private businesses, by the government in the form of grants, or via charitable donations. The latter, frequently carried out by wealthy donors or

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<sup>1</sup> Note the distinction between the three sectors of society framework presented here and the economic sectors – primary, secondary, tertiary – framework (see Hodson, 1978).

philanthropists who, blessed with success, now have the opportunity – sometimes perceived as a responsibility – to give back to society (Schervish, 2007; Pinchuk, 2013; Salamon, 2014, Aninat, 2015). This accounts for why philanthropy is at present rarely understood as simply ‘the love for humankind’. As most successful individuals have at some point been deeply involved in the reinforcement of the civil society, ‘philanthropy’ is now often understood as the offering of considerable amounts of money with the aim of financing civil society’s activities, and, therefore, as an activity reserved to affluent individuals (Sanborn and Portocarrero, 2003; Moody and Breeze, 2016).

**Figure 1: The third sector in the welfare triangle (Pestoff, 2005)**



Yet, what is the role that the third sector plays in society? A study conducted by Kallman and Clark (2019), in which different national third sector systems were analysed, revealed that the history and strength of the third sector in a given country is directly correlated to the weaknesses of its national government: the stronger the governmental sector, the weaker the civil society, and vice versa. The results of this study, therefore, provide a clear hint about what the role of the third sector is: when the government of a country is not able to meet all social needs, civil society frequently comes into play to cover those needs (Dees, 2007; Kallman and Clark, 2019).

This way, civil society helps shape public policy and boosts institutional reforms (Edwards, 2014; Kallman and Clark, 2019). Nevertheless, it ought to be emphasised that even though the third sector is a highly valuable social asset, it should never be understood as a substitute for the state, but as an independent and innovative supplement capable of guiding the national government (Anheier and Leat, 2006; Dees, 2007; Edwards, 2014).

Most participants who were interviewed for the purpose of the present study, especially those directly involved in the third sector, supported the arguments exposed above and clearly stated that the civil society was necessary (I.1; I.2; I.3; I.4; I.6; I.7; I.8; I.9; I.13; I.14; I.15; I.16).

## **1.2. Current philanthropic trends**

Over time, the ways of undertaking philanthropy have been constantly reshaped, adapting to the emerging external circumstances and preferences of the society. The relationship between philanthropy and its social context – whether economic, cultural or political – can be thought of as one exhibiting a ‘bidirectional causal effect’: while philanthropy seeks to modify and improve its social context, its social context also shapes philanthropy itself (Fulton *et al.*, 2005; Moody and Breeze, 2016; Schervish, 2007; Schervish and Whitaker, 2010; Moaniba *et al.*, 2018).

Furthermore, the effect that the digital revolution has had on our society since the end of the twentieth century must not be overlooked when discussing the topic at hand: information networks such as the Internet, cell phone technologies and digital tools generally have had a tremendous impact on economic and professional activities, as well as on private lives. Philanthropy and the third sector have not been an exception to this phenomenon. During the past decade, online giving, increased entrepreneurship, diversity – with regard to the type of organisations and institutions involved – and the increased inter-organisational collaboration have been some of the implemented innovations in civil society directly linked to the expansion of digitalisation within the sector. Digitalisation is now helping address social needs more efficiently, subsequently increasing the impact of interventions, but it also generates new social needs – such as privacy and childhood protection, digital alphabetisation and access to new technologies, among others –, which will require being addressed accordingly (Bernholz *et al.*, 2010; Salamon, 2014; Bernholz, 2017; Arrieta *et al.*, 2019).



As the global society continues to evolve and adapt to these new digital opportunities and demands, endless variations of ‘new philanthropies’ are starting to gather pace in the world of social investment, differing from the ‘old philanthropy’ – the philanthropy which characterised the twentieth century – in at least four distinct manners. The ‘new philanthropy’ is (1) more diverse, as it requires the engagement not only of individuals and organisations but also a great number of private financial institutions. It is also (2) more entrepreneurial, focused on social investments intended to finance long-term development. The focus is also placed on making philanthropy (3) more global, analysing problems from an international perspective and adapting their projects to cross-national approaches. Lastly, the ‘new philanthropy’ is (4) more collaborative, interacting with new social ventures, government agencies, and private financial institutions, aside from the broader third sector (Salamon, 2014; Moody and Breeze, 2016; Bernholz, 2017).

Furthermore, according to Moran (2014), another of the distinctive features of this new form of philanthropy consists of an – occasionally excessive – emphasis on measurement to quantify and corroborate the social, financial, and environmental performance of the different firms and organisations. Collins (2004), views such an emphasis on quantitative data to cause NPOs to drift their missions from complex problems – frequently involving considerable risks, long-term uncertainty and high failure potential – to simpler short-term programs – which might produce positive outcomes but will not have a significant impact on society –. In line with this critique, Frumkin (2006) highlights the fact that many aspects of the philanthropic activities cannot be precisely measured, especially because outcomes are in most cases incommensurable. Nonetheless, the author suggests that the solution might be not to cease measuring, but to do so while searching for imperfect but valuable knowledge, which will develop the ability to learn and progressively improve the third sector (Frumkin, 2006).

Beyond the distinction between the ‘old’ and ‘new’ philanthropy, it is relevant to discuss two of the main current philanthropic approaches; namely, ‘venture philanthropy’ and ‘giving circles’, as these two methods will be of great importance in the present paper.

‘Venture philanthropy’ is currently one of the most salient concepts in the realm of giving. This approach originated from the concept of venture capital and, accordingly, it emphasises the importance of social returns and focuses on improving NPOs’ capacities through larger and long-term investments. In contrast with older philanthropic methods,

venture philanthropy is characterised by its increased emphasis on strategic management and active participation to ensure the sustained success of the investment; and by the implementation of social return indicators to improve effectiveness evaluations. Therefore, the main components of this philanthropic method are the investor-to-recipient organisation relationship, organisational capacity development – e.g. strategic planning or financial management –, long-term cooperation, and, lastly, the emphasis on results (Frumkin, 2006; Moody, 2008; Qihai, 2011; Di Lorenzo and Scarlata, 2018).

However, this approach should not be mistaken with ‘impact investing’. In contrast to ‘venture philanthropy’, this concept refers to an investment with the purpose of improving environmental and social conditions, yet, unlike the previous approach, there is an expected financial return afterwards (Bugg-Levine and Emerson, 2011; Manetti, 2014). Consequently, this automatically excludes it from being a philanthropic approach, as conducting philanthropy emphasises the public purposes of the action to be taken, without expecting anything in return (Salamon, 2014).

On the other hand, ‘giving circles’ (henceforth ‘GCs’) are a very specific form of philanthropy. It is more engaging, strengthens collaboration, is guided by individual donors, focuses on small organisations and entrepreneurial problem-solving, and exhibits unique giving and volunteering methods (Eikenberry, 2006; Karlan and McConell, 2012; Eikenberry and Breeze, 2018). In short, GCs are “a cross between a book club and an investment group” (Eikenberry, 2006: 518) where individuals pool their own resources after deciding which organisations to support (Schweitzer, 2000).

In GCs, members and community connect through diverse engagement, educational and social components and this enables donations to be more targeted. As a result, although donors do not spend large amounts of money, they have a greater impact (Eikenberry, 2006; Eikenberry and Breeze, 2018). Moreover, as several non-profit professionals participate as members, giving circles offer the opportunity to both participants and professionals to form new relationships and jointly suggest new proposals, which could later be submitted to the GC for funding. Indeed, as GCs are not tied to external actors, they are able to maintain their characteristic independence and neutrality. With this particular philanthropic approach, therefore, members expand their knowledge on philanthropy and the challenges it faces and, subsequently their engagement in their own giving and the third sector increases (*ibid.*).

After briefly introducing two of the most common ‘new’ ways of undertaking philanthropy, what is clear is that philanthropic behaviour is changing to a model which Duncan (2004) calls ‘impact philanthropy’. Under this model, the objective is to have a direct influence on the ease of social needs, and it is very important for NPOs to remain accountable and show the effectiveness of their projects accordingly (Duncan, 2004; Racca, 2015).

## **2. Chilean philanthropy**

The previous chapter introduced the reader to the world of philanthropy, which operates through the so-called third sector or civil society. Philanthropy was shown to be a contested term in constant evolution, and one that currently focuses on new forms of impact philanthropy (Duncan, 2004). Building on the general framework of philanthropy provided in the previous section, the present chapter evaluates some of the characteristics of the Chilean philanthropic system. The present discussion of philanthropy in Chile analyses both the background of philanthropy in the country and the challenges that the Chilean philanthropic system currently faces.

### **2.1. Background**

Chile, a country located in the Southern Cone of Latin America, is one of the world's most liberalised economies. Yet, inequalities are an integral part of the history of the country and one of the structural features of Chilean society since its inception (Han, 2012; UNDP, 2017; Pousadela and Cruz, 2016). In short, in Chile “there is still much to be done in terms of rights, values and abilities common to all members of society” (I.2: 1). Given this, it is perhaps unsurprising that the country has always characterised itself for its solid philanthropic traditions. Quoting Irarrázaval (2017), “the narrative of the Chilean country is mainly constituted by men and women who, on their own behalf or through institutions, have given their fortunes, their time, or their lives to charity” (CPCC, 2017: 25).

Indeed, already in the colonial period, works of charity<sup>2</sup> were carried out by both the Catholic Church and creole aristocrats in what now is Chile; yet, it was not until the twentieth century that state and civil society started to cooperate towards a common purpose: progress regarding social matters (Sanborn and Portocarrero, 2008; CPCC, 2017).

Over time, the non-profit sector in Chile has developed as one of the largest relative to the population of the country. During the '90s, after Pinochet's authoritarian regime,

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<sup>2</sup> Even though oftentimes the term ‘charity’ has religious connotations, in accordance with authors like Daly (2012) or Reich (2018), in the present paper both charity and philanthropy are employed interchangeably.

new NPOs, also referred to as civil society organisations (CSOs), started to emerge and, from the beginning of the twenty-first century onwards, the number of such organisations skyrocketed. In fact, in 2019, there are 234,502 CSOs in Chile (Pousadela and Cruz, 2016; Moyn, 2018; Irarrázaval *et al.*, 2019). Nonetheless, some of the interviewees, in line with the information exposed by Irarrázaval *et al.* (2019), mentioned the lack of reliability of the information regarding such organisations, as it is still not possible to gather sufficient and reliable data to determine which are active, real, successful or dissolved organisations (Irarrázaval *et al.*, 2019; I.1; I.7).

Lastly, in terms of funding sources, it is worth noting that CSOs are primarily financed by private resources (44%) through payment or co-payment for the activities they undertake, followed by resources originating from public funds (41%) and philanthropic sources (15%). Surprisingly, within the ‘philanthropic sources’, 84% of the funds mainly originate from large businesses’ donations (Aninat and Fuenzalida, 2017a; Irarrázaval *et al.*, 2019).

## **2.2. Challenges of the Chilean philanthropic system**

Main donors in Chile correspond to businesses, philanthropic foundations, impact investors – venture philanthropy catalysers – and citizens (Kramer, 2009; Aninat and Fuenzalida, 2017b). However, given the purpose and limitations of this paper, the focus will remain on the latter type of philanthropists.

In international rankings, Chile stands as one of the most generous countries in South America. Measuring the generosity levels of people from 146 countries, Chile is positioned 61 globally and seventh regionally. These outcomes result from measuring three parameters – helping a stranger, donating money and volunteering time –, whereby the country scored 54%, 33% and 15% respectively (CAF, 2018; Aninat and Fuenzalida, 2018). This is consistent with both the research conducted by experts in Chilean philanthropy and the observations and interviews conducted in this study (*ibid.*).

Helping a stranger is a commonly observed act of philanthropy in Chilean society. Given the deep-rooted socioeconomic inequalities, helping strangers plays a central role in the social cohesion of the country (González and Lay, 2017). Conversely, volunteering time is not as common among Chileans. Although volunteering is highly valued in society, the main reason behind the low volunteering levels is the lack of personal time,

followed by lack of knowledge about how to get involved and economic difficulties (Aninat and Fuenzalida, 2018; FT, 2018).

Notwithstanding the lack of volunteers, these are extremely necessary within the Chilean NPO system. Over 90% of Chilean NPOs rely on volunteers and most of them would not be able to subsist without them (Donoso, 2012). Given the high volunteering demand and the low supply, those who seek to volunteer are often able to find an option that suits their needs, as many NPOs are eager to receive voluntary contributions and most volunteering programmes can adapt to individual needs (I.3; I.8; I.9). In short, despite volunteering not being a common practice among Chilean philanthropists, volunteers are essential to the Chilean philanthropic framework.

In terms of monetary donations, experts sustain that the overall behaviour is that of a ‘reactive sympathy’ arising from specific events such as natural disasters or media campaigns. It is therefore unsurprising that contributions are not usually constant over time, as such ‘reactive sympathy’ originates from short-term socio-cognitive and emotional factors, for instance, a sense of social responsibility in the first case and a response of empathy<sup>3</sup> in the second (Aninat and Fuenzalida, 2017b; González and Lay, 2017).

*Teletón*, the most popular charity event in the country, certainly illustrates such ‘reactive sympathy’ and, given the recurrence of the topic during the interviews (I.1; I.7; I.11; I.13; I.15) and during conversations with Chileans, it should not be overlooked. It takes place once a year in the country since 1978, except for those years in which national elections take place. The purpose of this event is to raise funds for the NPO *Sociedad Pro-Ayuda del Niño Lisiado* – created to provide support for disabled children – through a twenty-seven-hour television campaign. Such event appeals to emotional reactions by sharing sensitive stories that treat disability as a ‘personal medical tragedy’. However, despite controversies regarding its campaign methods, over time it has become a cultural benchmark in the country, raising the exorbitant sum of roughly 38 billion Chilean pesos (henceforth ‘CLP’) – about 44.5 million British pounds (‘GBP’) – in 2018. From this contribution, 74% proceeded from individual donors (Húmeres, 2017; CPCC, 2017; Ferrante, 2017a, 2017b; Teletón, 2015, 2018).

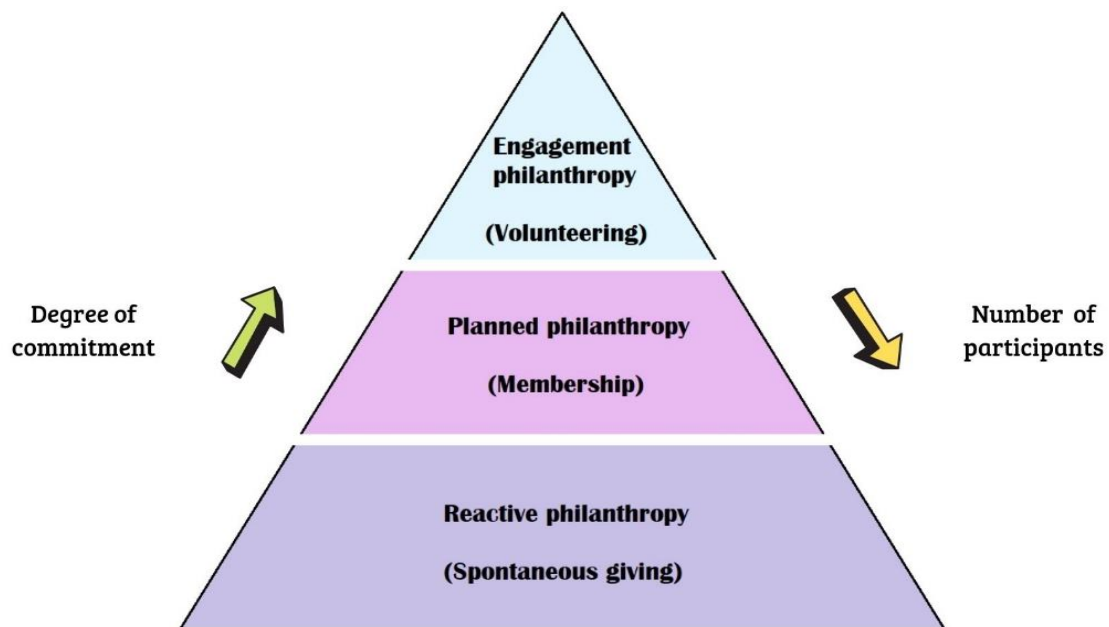
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<sup>3</sup> Pavey *et al.* (2012) define the term ‘empathy’ as “the experience of sympathetic emotions and concern for another person in distress” (2012: 681).

This explains the outcomes of a national survey published in 2018, in which individual donors' contributions of money were mainly aimed at fundraising or campaigns (71%), followed by offering the change to charity in a supermarket or pharmacy (70%) and giving to people who ask for it on the street (55%). Unfortunately, monthly donations or becoming a member of an NPO was the third least frequent contribution (23%), and the two main reasons for this were the lack of sufficient economic resources and the lack of transparency and confidence (FT, 2018).

Hence, it is not difficult to observe that, in Chile, different levels of 'citizen philanthropic practice' coexist (see Figure 2). The first level corresponds to 'reactive philanthropy' – spontaneous one-time money donations –, the second level to 'planned philanthropy' – regular money donations, mainly undertaken by funding members of NPOs –, and the third level to 'engagement philanthropy' – donations of time and expertise, among other resources, through volunteering –. The more commitment the philanthropic activity requires, the fewer participants are found (see Aninat and Fuenzalida, 2018).

**Figure 2: The citizen philanthropic practice (based on Aninat and Fuenzalida, 2018)**



Regardless of the type of philanthropy that a citizen could undertake, it is important to understand three further factors that might be preventing individuals from contributing more to the civil society, given that the issue at hand (i.e. improving philanthropy in Chile), is a complex one.

### **2.2.1. Limited philanthropic knowledge**

When asked about philanthropy, there was a clear difference in how it was perceived between those professionally dedicated to the third sector (henceforth ‘professionals’) and those who were not (‘non-professionals’). While 87% of the professionals considered that philanthropy was something in which anyone could take part, regardless of their level of wealth, only 37% of the non-professionals shared the same beliefs. Moreover, further divisions in terms of how philanthropy is perceived became apparent when two of the interviewees (I.11; I.12) even hesitated when inquired about the meaning of the concept of philanthropy; this was in contrast to those who viewed philanthropy, exclusively, as a form of economic giving. Indeed, the latter group appeared to hold a clear view and linked the concept philanthropy directly to the real world by referring to well-known national affluent philanthropists such as Leonardo Farkas and Douglas Tompkins (see CPCC, 2017; Madera, 2019a).

Nevertheless, although philanthropy is not intended to be mainly economic, it holds true that the fewer amount of funding an organisation receives to carry out its projects, the lesser impact it may be capable of having on its intended beneficiaries (I.3). In addition to this, several interviewees emphasised the fact that the majority of the citizens who decide to volunteer tend to do so within family or acquaintances – such as friends or religious peers – circles, instead of engaging with the rest of society through NPOs. This is evidenced by a 2018 national survey, which shows that 40% of volunteers tend to help family members and/or friends, whereas 31% prefer to volunteer through NPOs (FT, 2018). Thus, it would be essential for citizens to understand that there are many ways of undertaking philanthropic action and that CSOs are in need of both economic and human capital resources (I.1; I.3; I.4; I.6; I.7; I.8; I.9; I.14).

These observations, together with an information scarcity regarding the quantity and nature of private contributions to NPOs (UBS and HICS, 2015; Aninat and Fuenzalida, 2017c), confirm that the existing limited philanthropic education creates the need to promote a ‘philanthropic consciousness’ (Aninat and Fuenzalida, 2017b; CPCC, 2017; Eikenberry and Breeze, 2018), which was supported by six interviewees (I.1; I.2; I.6; I.8; I.13; I.14).

In line with the ideas proposed by several authors, such philanthropic education would be optimized through a twofold approach. Firstly, education should build



knowledge of potential donors regarding community affairs, philanthropy and voluntary organisations. Secondly, it should help professionalise CSOs by strengthening their governance and rendering them more efficient in terms of resource administration and goals' accomplishment (Aninat and Bethmann, 2017; Eikenberry and Breeze, 2018; McCoy and Loh, 2018; Bethmann *et al.*, 2019; Kallman and Clark, 2019).

Hence, on the one hand, among other benefits such as enhancing social inclusion and the engagement of citizens in social matters (see Lord, 2019), individuals would understand that economic contributions are not the only method of being a philanthropist. They could then informedly decide whether to contribute through volunteering or donations. Individuals would be enabled to objectively evaluate the available options, rather than succumbing to the influence of their families or close relationships. Accordingly, the following situation would be prevented:

“[It] often occurs [...] that individuals have the motivation, but they do not know where or to whom they should offer their help and they end up donating to large foundations. I am not saying that big ones should not receive contributions, which is indeed remarkable, but people do not tend to look for alternatives.” (I.7: 5)

On the other hand, corresponding to the second part of the ‘twofold approach’ and in line with Lord’s (2019) convictions, as a result of greater awareness, social interest in the third sector would increase. This would, eventually, lead to a greater number of individuals purely seeking the ‘greater good’ of society becoming involved in the sector. CSOs would therefore be encouraged to prioritise effectiveness and discourage individualism, preventing them from neglecting cooperation by default, an issue further discussed in the following section. On balance, greater knowledge would render the CSOs more effective and, due to the greater competition arising from greater interest in the sector, more professional.

Yet, improvement in Chile is fortunately underway. Aninat and Bethmann (2017) foresee an increasing offer of university courses and the escalation of academic knowledge as a reinforcement of the field in the years to come. Although there are not yet many official studies in philanthropy in Chile, if this tendency continues to rise, education in the field will be one of the upcoming changes in civil society. If this extant effort to improve philanthropic education follows the ‘twofold approach’ outlined above, the effects of such education on Chilean philanthropy would be optimised.

### 2.2.2. Limited cooperation among organisations

Due to the limited aforementioned philanthropic knowledge, citizens tend to favour the most popular CSOs, leaving smaller organisations behind. If willing to contribute to civil society, the tendency for donors is to endow their money and/or time to well-known large NPOs with positive reputation. Yet, this has, unfortunately, varied negative consequences for civil society: smaller organisations' and social movements' voices are curtailed; only voices that fall into the norm are taken into account; and, as a result, inequalities within the third sector are perpetuated (Marcuello and Salas, 2001; Mahomed and Moyo, 2013).

Two interviewees (I.6; I.7) supported the ideas above, expressing their concern about the smaller-sized organisations confronting financial difficulties to subsist. Indeed, it is frequently the case that if the potential philanthropist is a citizen with limited or no knowledge about NPOs, larger organisations such as *Fundación Hogar de Cristo* or *Fundación Las Rosas* – some of the largest in the country – are the ones to be primarily, and often exclusively, considered. This is due to the degree of knowledge and trust towards larger organisations, which tends to be much greater than towards smaller ones. Subsequently, such smaller-sized organisations are mainly financed by relatives and close friends and, despite this, have to compete against the rest of NPOs for both economic resources and human capital (I.3; I.6; I.7; I.9). In an environment characterized by the size disparity and competition among NPOs, it seems plausible that increased inter-NPO cooperation would favour the sector. Yet, why is there a lack of cooperation among CSOs?

Edwards (2014) draws attention to the fact that “[...] expecting people on the breadline to share, participate and cooperate as equals is unreasonable unless this is the safe and reasonable thing for them to do.” (Edwards, 2014: 118). This statement appears to hold true, given that not only academics but also interviewees (I.1; I.3; I.7; I.14) highlighted the existence of inescapable competition in the sector. NPOs compete for human capital – both for-profit and volunteers –; for spaces to conduct their events or projects; and for private investors – businesses, families and individuals –; among many other motives (Marcuello and Salas, 2001). This tendency has been documented to exist internationally. Indeed, a recent report published by the US *Center for Effective Philanthropy* (CEP) stated that 62% of NPO leaders find it extremely challenging to

procure stable support due to the tendency for monopolistic competition within the sector (Marcuello and Salas, 2001; McCoy and Loh, 2018).

Nevertheless, given the increasing influence of impact philanthropy (see Duncan, 2004) in Chile, CSOs are progressively considering collaborating for a common purpose:

“We should see the organisations dealing with similar social issues as partners, not as rivals. [...] There must be more cooperation and a united discourse; this is indispensable to generate trust in the sector.” (I.3: 3)

“[...] If, for example, I intend to have an impact on children’s education, I will have to team up with other organisations that specialise in children’s health and parenting skills [...] so that children can learn in a context where they stay healthy and enjoy an optimal relationship with their parents. Clearly, no organisation is able to cover all necessities on their own.” (I.7: 7)

“We combine efforts to combat inequalities, as we do not believe that any problem can be solved by working on our own. We all have different views of the same problem, and it is there where we can see that there are no individual interests, but a common and authentic one which intends to improve the situation.” (I.14: 1)

Therefore, one of the main challenges for the third sector is to increase the complementarity among its organisations. This would enable them to unite their efforts towards a positive impact on the lives of their beneficiaries by working together to identify their needs. Cooperation would also increase NPOs’ scope of their objectives and their accountability and transparency levels, which will be further covered in the following chapters (Sanborn and Portocarrero, 2008; Edwards, 2014; McCoy and Loh, 2018; Arrieta *et al.*, 2019; Kallman and Clark, 2019).

### **2.2.3. Limited trust**

As mentioned above, one of the consequences of the limited philanthropic knowledge of citizens and their restricted cooperation is the scarcity of funding among CSOs. Limited resources restrict organisations’ capabilities in many ways, namely by perpetuating their difficulties to gain visibility, securing human capital and serving their missions. Yet, it is worth discussing a particular type of restriction that directly affects the levels of trust in the third sector: citizens’ limited capability to assess CSOs’

performance (Aninat, 2015; McCoy and Loh, 2018; Kallman and Clark, 2019, Madera, 2019b).

Despite the consensus establishing that performance assessment is essential for the increment of citizens' trust in the third sector, "[e]ven among large [NPOs], many have no evaluation function or allocate limited resources to judging performance" (Buteau and Leiwant, 2016: 30). In fact, despite the majority of NPOs owning a website, these tend to exclusively display basic information – e.g. mission statements and names of directives –. This phenomenon is consistent with the international scene: in a study conducted in the US, only 4% of NPOs were found to share comprehensive evaluations regarding their performance (*ibid.*).

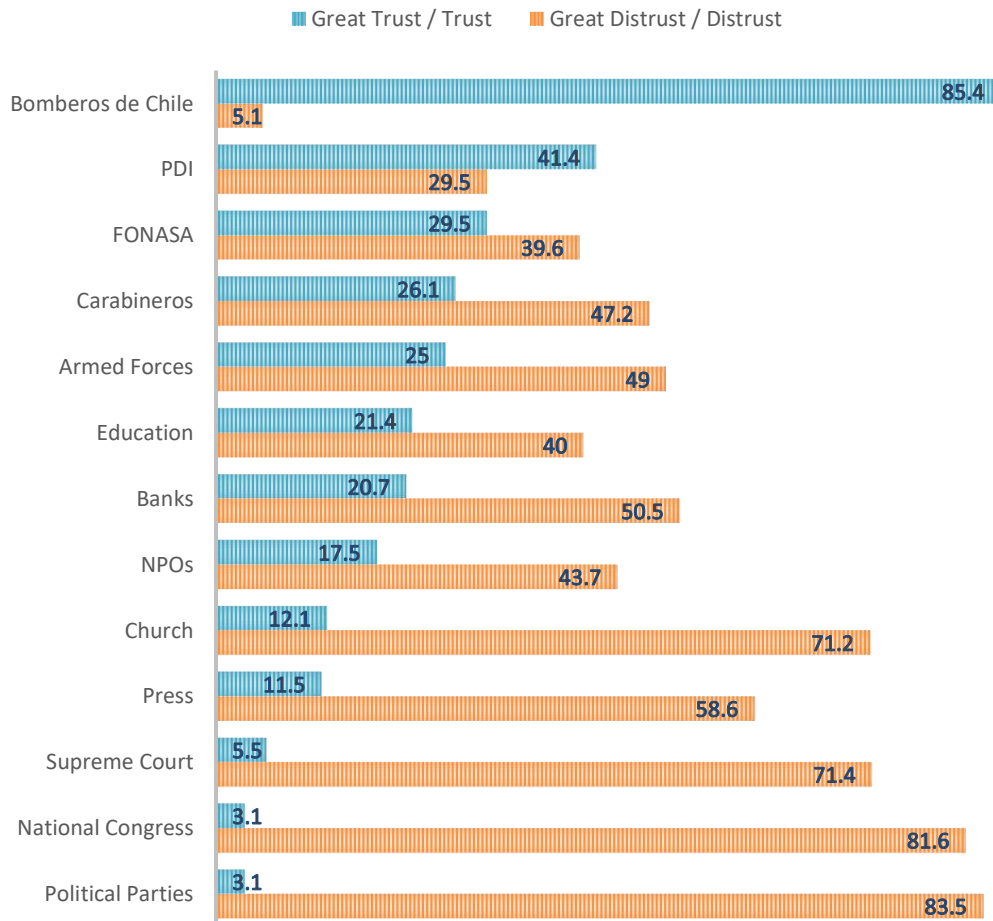
In this regard, Marcuello (2018) points out that the exclusive sharing of basic data strengthens an interaction model based on the expectancy of a blind trust from the donors towards the organisation, instead of boosting critical thinking about the organisation's performance. However, this 'blind trust' expectancy is not fulfilled in the Chilean context, where the public opinion considers that CSOs are not necessarily efficient, responsible and democratic (Moya *et al.*, 2012; UNDP, 2017; Irarrázaval *et al.*, 2019). For instance, one of the interviewees stated that: "Here [in Chile], the manner in which all institutions are being put under scrutiny is quite critical. There is a great deal of distrust [and] organisations have no real support for that reason" (I.6: 2).

Certainly, there exists an acute lack of trust in institutions within Chilean society. According to the national survey *Pulso Ciudadano* (AR, 2019), in which participants indicated what the most trusted and distrusted institutions were, the most trusted one was, by far, *Bomberos de Chile* (*Firefighters of Chile*, henceforth 'BdC'). BdC achieved both the highest trust score (85.4%) and the lowest distrust score (5.1%). These scores are in contrast to those achieved by other institutions such as *Policía de Investigaciones de Chile* or PDI (*Investigations Police of Chile*, 41.4% trust and 29.5% distrust) and *Fondo Nacional de Salud*, also known as FONASA (*National Health Fund*, 29.5% trust and 39.6% distrust). NPOs occupy, in turn, the eight position, with an average trust score of 17.5% and a distrust score of 43.7% (see Figure 3).

In the last decade, some state organisations, enterprises and CSOs have incurred malpractices or illegal proceedings. This has resulted in a generalised crisis in public trust, which now hinders the citizen's trust in NPOs (Pousadela and Cruz, 2016; UNDP, 2017;

Míguez and Dewey, 2018; Irarrázaval *et al.*, 2019). According to one of the interviewees, this had a twofold effect among laypeople: firstly, the emergence of a common belief that CSOs are created to steal money; secondly, a widespread suspicion among potential donors, which makes them look for responses before making any endowment (I.7).

**Figure 3: Level of trust among institutions (based on AR, 2019)**



It has been now well established by a variety of studies that NPOs' legitimacy and social representation, along with their interests, purposes, and effectiveness of their activities, are being closely examined by the public (Thrandardottir, 2015; Keating and Thrandardottir, 2017; Irarrázaval *et al.*, 2019; Bethmann *et al.*, 2019). In this regard, experts suggest that NPOs follow four standards of good and effective governance. The first two standards consist of (1) clarity in their mission to engage in proper strategies and (2) qualified and adequate board composition and structure. The two latter standards emphasise the importance of (3) the distribution of the tasks among board members in order to remain efficient, and (4) the legitimacy and relation to its environment – e.g. remain transparent and promote cooperation with other organisations – (Farmelo, 2014; Thrandardottir, 2015; Bethmann *et al.*, 2019).

### **3. Transparency as an enhancer of public (mis)trust**

Chilean society characterises itself for undertaking what was defined as ‘reactive’ philanthropy, which entails low volunteering levels and scarce periodical money donations. This situation was argued to be detrimental to CSOs, which are in need of both a ‘planned’ and an ‘engagement’ form of philanthropy (see Figure 2). Such detrimental situation was argued to be caused by three main factors directly affecting the predisposition of citizens to become involved in philanthropy to a greater extent.

The first factor was limited philanthropic knowledge, due to which citizens’ contributions tend to either decline or to be primarily destined to larger organisations. To combat this, greater philanthropic education was shown to be necessary. Indeed, consequently, the scope of action of CSOs diminishes and inequalities perpetuate within the civil society, a situation aggravated by the acute monopolistic competition among organisations.

This, however, could be palliated by tackling the second factor, limited inter-NPO cooperation, as it would allow organisations to better understand the needs of the beneficiaries, increase their accountability and transparency levels, and achieve a greater impact in the country.

Lastly, resulting from lack of knowledge and cooperation arises the third factor: limited confidence in institutions in general and, specifically, in CSOs due to their recent involvement in malpractices and illegal proceedings, as mentioned in Chapter 2. Experts suggest following four standards of good and effective governance to deal with this. Among them, legitimacy and relation to the environment will be central in the present chapter given its relevance towards the accomplishment of the three factors mentioned previously and, thus, towards the development of philanthropy in the country.

#### **3.1. Case study: *Bomberos de Chile* as a role model for NPOs**

To illustrate the importance of an institution’s legitimacy and how it relates to its environment, this section briefly analyses the case of BdC. As exposed previously in

Figure 3, BdC is considered the most trusted institution in the country. Nonetheless, how is it that this institution has achieved such trust levels?

In contrast to any other institution in the country, Chilean firefighters (henceforth ‘CFs’) receive no compensation for the services provided. The only CFs who receive a salary are the truck drivers, employed full-time by each BdC unit. According to the interviewees, the reason behind CFs being volunteers is due both to BdC’s long-time volunteer tradition since its inception, and out of respect to the fire-fighting martyrs (I.5; I.10; I.11). Two of the interviewees even mentioned the fact that they were not interested in receiving payment either, as this would eliminate BdC’s vocational tradition and could even diminish citizens’ trust in the institution (I.10; I.11).

However, “engaging in BdC is erroneously called a hobby since it requires equal or even more dedication than any other profession” (I.5: 3). CFs not only offer a volunteer service which requires a minimum – and certainly significant – degree of commitment, but they are also expected to pay a monthly fee which amounts to 16,500 CLP – roughly 20 GBP – for those who are employed and about 8,250 CLP – about 10 GBP – for students. Thereof, there are two main profiles: the first one is a working adult with or without family; the second one, a student who is either supported by their families or who combines both work and study (I.5; I.10; I.11).

This information shows the degree of commitment of CFs. Yet, another remarkable aspect of BdC is its democratic structure. All interviewees agreed that their institution was entirely democratic: no admission or designation in BdC is approved without voting. Candidates of any kind must meet certain requirements in order to become members or be promoted to a new position and it is the volunteers who decide on recruitment and promotions. Furthermore, in case any of the CFs incurs in malpractices or does not meet the minimum requirements, members could decide – depending on each case – whether the affected member is sanctioned or, potentially, expelled from the unit (*ibid.*). Such democratic system is in contrast to the NPOs governance system, as currently many CSOs’ board members are, as in any private company, neither elected nor replaced democratically (Edwards, 2014; Kallman and Clark, 2019; I.9).

Furthermore, BdC relies on a deficient funding system. The state subsidises BdC’s water and electricity bills, but it is the districts in which the units are located that are expected to finance the remaining resources required by each unit. Certainly, the largest

source of income is provided by Chilean citizens, either through contributions during campaigns or, occasionally, by becoming funding members (I.5; I.10; I.11).

Trust in the institution thus plays a central role in the latter source of income. Otherwise, individuals would not even be willing to contribute during campaigns. Therefore, BdC employs diverse legitimacy strategies to engage the community. Such strategies range from publishing all information regarding emergencies, activities, board members, volunteers, accountability, etc. (see JNCBC, 2019); to being active on social media; and allowing 24/7 public access to their facilities (I.5; I.10; I.11). As one of the interviewees stated: “We [CFs] are so open to the public and we come into contact with individuals as much that it would be really difficult for us to lose public trust” (I.11: 5).

Modelling oneself on examples of good practices might be the best manner to boost NPOs’ legitimacy and optimise their relation to the environment. Hence, it might be appropriate to view BdC as a role model for transparency and community engagement. The closer an institution is to the community, the better it will be known by society; and the more trust society places on the institution, the more contributions the institution will be able to receive – whether in the form of time, money or in-kind donations –.

### **3.2. The Chilean ‘Transparentocene’**

The world is currently experiencing a ‘transparency explosion’ characterised by increased societal demand in different national contexts (Dennett and Roy, 2015; Alloa and Thomä, 2018). Alloa (2018) and Koivisto (2019) suggest that we have entered the era of the ‘Transparentocene’: an age in which all kinds of institutions, whether public or private, for-profit or non-profit, are expected to remain entirely transparent. In this new age, transparency is perceived as the “[provision] of information about the rulers to the ruled” (Roelofs, 2019: 2) and as the most adequate way to achieve proper accountability and, in general terms, good governance, given that an increased ethical conduct is often caused by operating under public scrutiny (Alloa and Thomä, 2018).

There are three types of transparency to be considered if public trust is to be enhanced, namely transparency in data, things and people (Roelofs, 2019). Transparency in data is a reproduction of reality through documentary information, mainly focused on the actions undertaken by an institution. Transparency in things seeks to expose the actual tangible impact that the action undertaken has caused. Transparency in people,

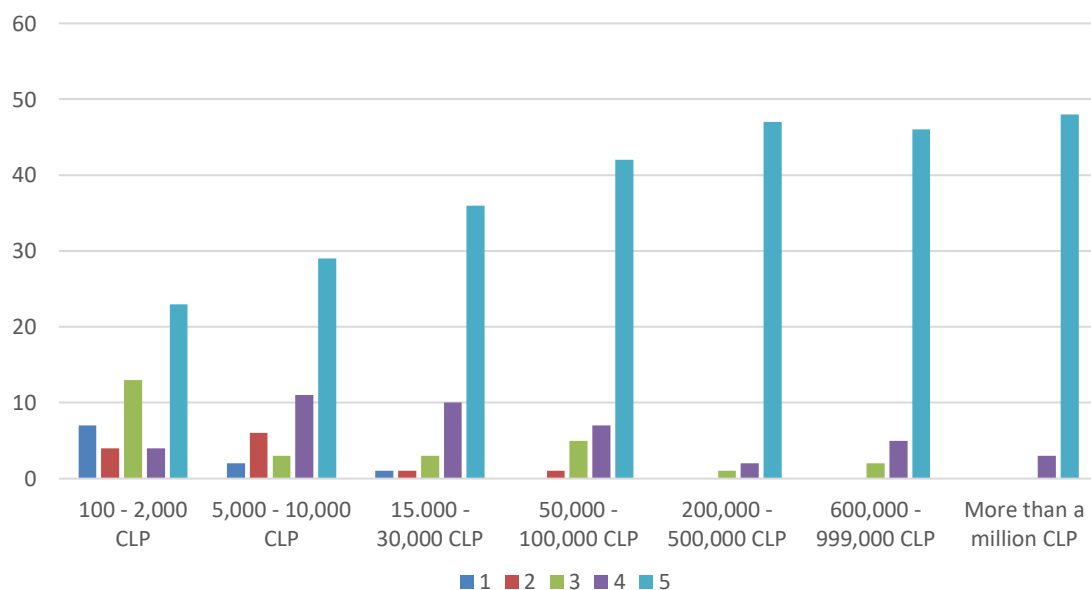


conversely, places the focus on the responsibilities, relationships and social networks of those in a position of power. In this regard, Roelofs (2019) states that these three types of transparency complement each other and none of them should be overlooked if one is to achieve proper transparency levels.

In line with the global emergence of the ‘Transparentocene’, Chilean institutions have also commenced undertaking action to increase public trust in them. Given the aim of this paper, the focus will remain on those institutions within the third sector of the country.

The three forms of transparency discussed above are observably relevant in the Chilean context. Indeed, transparency in things and in people were shown to have been key to the development of trust in BdC. However, given that BdC is not part of the third sector, this does not imply that these two types of transparency are neither present nor as important in such sector (Bethmann *et al.*, 2019; I.1; I.7). Moreover, the present study has measured the importance of transparency in data through a questionnaire. Figure 4 shows that the levels of transparency required by the public are positively correlated with contributions. Among the respondents, there exists a clear preference for transparency in data which tends to increase as donations to NPOs become larger.

**Figure 4: Importance of NPO transparency depending on donation size. 1 = ‘not important’; 5 = ‘essential’ (Questionnaire)**



Currently, CSOs are aware of the importance of transparency to achieve legitimacy and maintain a good relation to their environment. Some of them are seeking to be

externally evaluated in order to publicly display their efforts in terms of transparency and good management practices. For instance, *Fundación Lealtad* has teamed up with some CSOs to strengthen their management strategies and increase their transparency levels.

It is, nonetheless, crucial that citizens adopt the view that undergoing an evaluation process does not render an NPO illegitimate, but in fact increases its legitimacy by highlighting its strive for amelioration. Proper transparency levels will always reveal potential improvements and it is through a good evaluation that the flaws of any NPO can be revealed (I.2; I.3; I.7; I.9; I.13).

Despite no interviewee denied the great importance of transparency, in line with Koivisto (2016) and Etzioni (2018), many of them highlighted the fact that not everything should remain transparent (I.1; I.5; I.6; I.7; I.9; I.11; I.13; I.16). Neither personal information that could infringe individuals' dignity should be made transparent, nor unnecessary information should be published, as this risks confusing society given the insurmountable amount of accessible data. Therefore, 'the more' is not always 'the better'. Instead, CSOs should commit to publishing as much data as possible while abiding by the usefulness and the public understanding of such data (Koivisto, 2016; Etzioni, 2018).

If NPOs improve their management practices and conduct them in a transparent manner, trust from potential donors or philanthropists towards the third sector will be progressively enhanced. As one of the interviewees stated, "[...] trust is like the backbone: without it, no organisation could exist, and transparency generates more trust" (I.16: 3).

## **4. Recommendations: a new philanthropic approach**

The present paper has covered the multiple factors currently affecting citizen philanthropy and the third sector. The citizen philanthropic practice characterises itself by the predominance of reactive philanthropy, leaving both planned and engagement philanthropy aside (see Figure 2). Due to citizens' preference for reactive philanthropy, the third sector lacks sufficient funding members – planned philanthropy – and volunteers – engagement philanthropy –. It is therefore worth analysing the triggers of the Chilean preference for reactive philanthropy in order to consider potential solutions and, subsequently, potential drivers of change in the sector.

Three interrelated problematic areas were shown to be of great importance in this matter: philanthropic knowledge, cooperation and trust. Given the limited familiarity of citizens with the world of philanthropy and the third sector in the country, donations – regardless of their nature –, if conducted, tend to target larger NPOs, lessening the impact of smaller-sized organisations.

To solve this, several authors mention the importance of education in philanthropy. By increasing education and, subsequently, a 'philanthropic consciousness' among potential donors, citizens would be able to make responsible decisions regarding whom and how to donate and promote an informed and impactful philanthropy. Regarding professionals, increasing their knowledge would help professionalise CSOs and enhance inter-NPO cooperation, since CSOs would acknowledge their individual weaknesses once their understanding of the sector increases<sup>4</sup>. Further, the greater the awareness about philanthropy and the third sector, the wider the decline of public mistrust. It is thus safe to expect that increased philanthropic knowledge would simultaneously boost cooperation and trust.

The second problematic area is cooperation. NPOs, both large and small, are in constant competition for human capital and economic resources. Larger organisations tend to benefit the most from such competition due to their larger visibility and their greater capacity to achieve their goals. This was shown to perpetuate inequalities within

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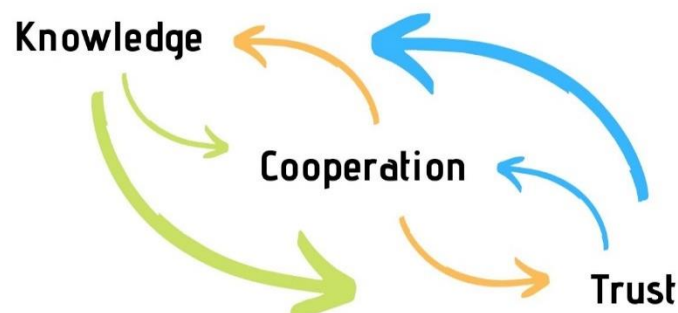
<sup>4</sup> See sections 2.2.1. and 2.2.2.

the third sector, as it elicits larger NPOs to dominate the social discourse and the sector's scope of action. Hence, as discussed in Chapter 2, fostering complementarity within the non-profit sector would render smaller organisations more visible and influential. This was argued to improve the quality of NPOs governance, thereby potentially increasing knowledge and trust within the sector.

Trust arises as the final problematic area. Lack of trust from citizens in CSOs is intensified by the difficulty of obtaining information regarding their performance, a phenomenon at odds with the standards of good and effective governance. As shown previously, the importance of legitimacy and the relation of NPOs to their environment are crucial within these standards and can be achieved through proper transparency, community involvement, good management practice and a clear democratic structure. If these good-governance-building mechanisms were implemented, trust in the sector would improve. This would increase citizens' willingness to cooperate with NPOs and to consider innovative ideas requiring their support, and would foster trust between third-sector institutions themselves. Therefore, by increasing trust levels, cooperation and, indirectly, knowledge would be facilitated.

On balance, there are three problematic areas in Chile's third sector and improving any area has been argued to have an enhancing effect on the other areas. Expanding knowledge encourages trust and cooperation, improving cooperation increases knowledge and trust, and developing trust enhances cooperation and knowledge (see Figure 5).

**Figure 5: Complementarity of the three problematic areas (Author)**



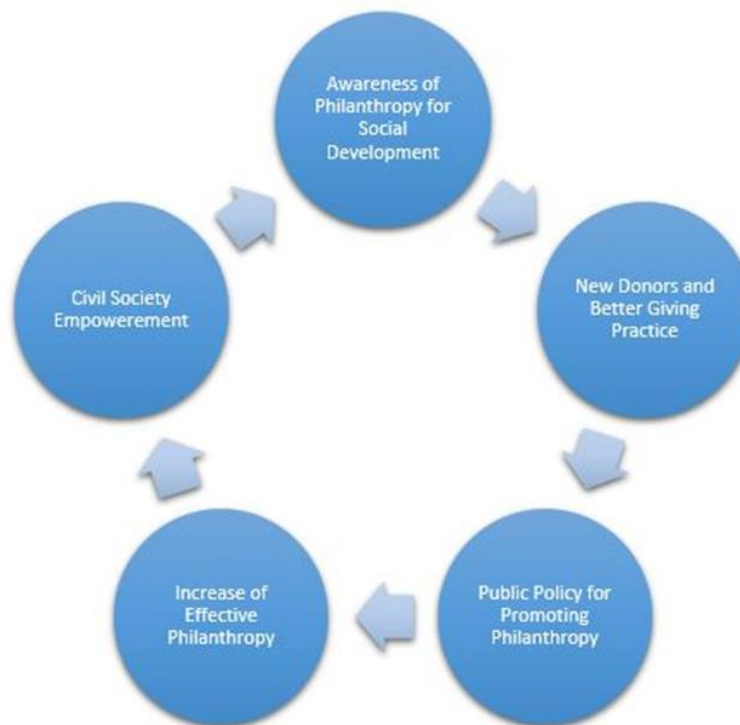
Any approach seeking the enhancement of the third sector would be inherently holistic, for it would not be possible to tackle one of the areas without having an effect on the other two: if one improves, the rest do so too. The task remains to determine which

are the best strategies to improve these problematic areas: how can knowledge, cooperation and trust be increased? The answer to this question will be crucial to enhance planned and engagement philanthropy within Chilean society and thereby maximise the potential of national philanthropy.

#### 4.1. Making sense of ‘The Giving Community’

In light of the Chilean third sector’s situation exposed above, the following proposal aims to cause a ‘disruptive innovation’ (Arrieta *et al.*, 2019) in the sector through the combination of several innovative approaches which have already been implemented in the country and/or the world. The present proposal combines the new philanthropic movements of ‘giving circles’ and ‘venture philanthropy’ (see Chapter 1) with the ‘theory of change for developing effective philanthropy in Chile’ (see Figure 6) and some of the new technologies of digitalisation.

Figure 6: Theory of change for developing effective philanthropy in Chile (Aninat, 2015)



‘The Giving Community’ (henceforth ‘TGC’) would commence with the creation of a cooperative managed by ‘conductor’ institutions (‘CIs’): different civil society institutions with complementary fields of expertise. The main objective of such cooperative would be to foster philanthropic education – increasing knowledge –, facilitate community involvement – increasing cooperation –, enhance organisations’

governance – increasing trust – and combine the necessary resources and skills to carry out any project aimed at meeting citizens’ needs.

#### **4.1.1. How would TGC work?**

TGC would be managed by CIs and would have two types of members: ‘stimulating’ members (henceforth ‘SMs’), namely non-conductor NPOs, and ‘funding’ members (‘FMs’) formed by citizens and/or private businesses. SMs would either propose new projects or cooperate in projects proposed within TGC. FMs would be the main contributors to the projects, either through money, in-kind donations or time. This approach would bring Chilean society, private businesses and NPOs together around the objective of conducting impactful philanthropic projects.

For an SM to become part of TGC, it must pass a transparency evaluation. This way, TGC ensures that its SMs are trustworthy, thereby filtering the most transparent institutions in a publicly recognizable manner: becoming an SM automatically implies being transparent and having proved good governance practices. Furthermore, it would be mandatory for SMs to accept regular transparency evaluations and to periodically confirm whether they remain active. This information would not only be of public availability, but it would also be shared with the state in order to facilitate NPOs’ proper registration in the country and their access to national funding, among other benefits.

TGC would operate through two main mechanisms. The first of these is the promotion of knowledge about the third sector, conducted jointly by both SMs and CIs. As discussed in the previous section, it is in SMs’ best interest to support the most effective knowledge-promotion strategies, given that the greater society’s knowledge of the third sector is, the more individual NPOs would benefit. Uniting efforts towards greater knowledge-promotion campaigns is arguably the most impactful of strategies, especially given the small size of most NPOs in the sector. This would also contribute to smaller-sized NPOs gaining visibility, and would thus address their weakness with respect to larger NPOs in terms of competition within the sector.

The second mechanism is the promotion of specific projects. This is an attractive feature of TGC in the eyes of SMs, for their own projects could benefit in a twofold manner. Firstly, TGC would conduct a project assessment, where CIs would anonymously expose SMs’ proposed projects to the rest of SMs. This is by itself

extremely beneficial to SMs, given that knowledge about other SMs would directly increase following the forum, thereby likely increasing cooperation among NPOs due to the overlap between different organisations' aims. In this forum, the projects would be assessed by peer SMs and CIs. SMs, given their expertise, would evaluate the practical aspects of projects, such as potential impact and effectiveness. CIs would focus on the ethical aspects, such as sustainability or transparency. CIs would also monitor that the assessment conducted by SMs is carried out ethically to avoid collusion and/or bias.

Secondly, SMs could benefit from joining TGC by receiving the cooperative's support for their projects. To decide which projects qualify for such support, the projects with the best scores, determined during the project assessment, would be the ones to be offered to FMs. Indeed, some projects would not qualify for FM support. However, given that the number of FMs would be finite – and likely small in the beginning – if all SMs' projects were offered to FMs, this is unlikely to cause significant impact on SMs' projects. Given that TGC aims to maximise the social impact of philanthropy, prioritising the projects that are the best according to TGC's consensus appears to be a better option.

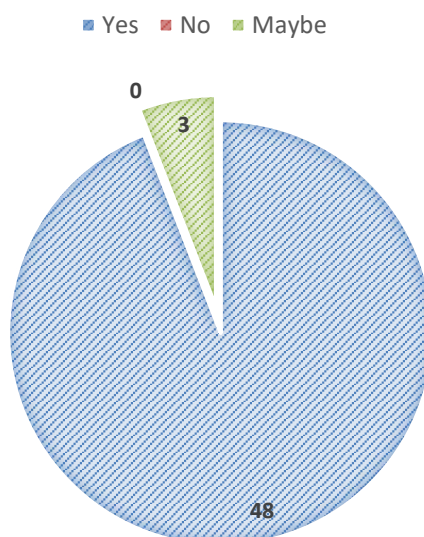
Overall, TGC would (1) cause philanthropic knowledge to increase through the conduction of educational campaigns involving all its SMs and CIs, (2) increase cooperation by enabling SMs to learn about projects which might complement their own activities and aims, and (3) promote trust by ensuring the transparency of the NPOs that it promotes through its educational campaigns. Improving these three areas will cause SMs to benefit from TGC, as previously explained. SMs would be able to further benefit by obtaining FMs' support for their projects.

#### **4.1.2. Digitalisation in TGC**

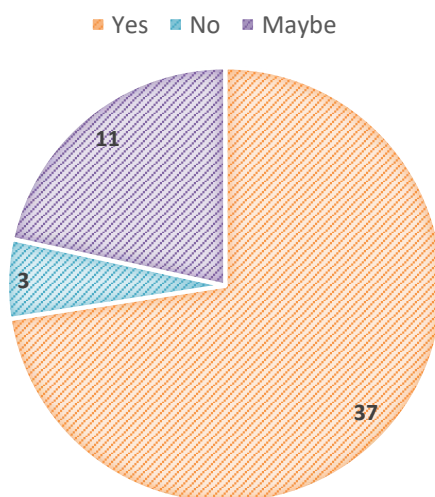
Consistent with relevant literature (see Arrieta *et al.*, 2019), in the questionnaire conducted during this study, all participants agreed that new technological tools could be of use to enhance transparency by NPOs (see Figure 7). Digitalisation, it appears, should be part of TGC.

Moreover, further questionnaire results display a general interest in a digital platform – such as the one proposed by the NPO *SocialXChange* – (see Figure 8). A website and a smartphone application could be for instance created to support TGC's goals.

**Figure 7: Could new technological tools serve to boost transparency by NPOs? (Questionnaire)**



**Figure 8: Would you use a digital platform displaying information about current projects and donation possibilities? (Questionnaire)**



Crucially, a digital platform would enable FMs from any region of the country to support any project and would enable FMs to donate in a simple, secure and rapid manner. Indeed, philanthropic options would become more accessible and diverse. Further, philanthropy would become simpler than ever: a clear format explaining the elected projects followed by an online payment option is likely to increase both the impact of the projects and the magnitude of the FMs community.

The digital platform would enable members to change their contribution preferences and would keep them updated regarding the projects they are involved in and about ongoing or past projects. This is essential to ensure the credibility of TGC and its



transparency. Generally, any relevant documents, such as CIs' and SMs' project assessments and transparency evaluations, relevant to the public legitimacy of TGC would be published in the platform.

Moreover, through the platform, FMs would be able to partake in the decision-making process by providing feedback about the funding system and/or the projects. Further, FMs could partake in any voting process through the platform, as explained below.

This platform would not, however, exclusively inform FMs about project-related factors. It would also act as a channel through which those interested would receive information about TGC's events such as philanthropic workshops or open-doors sessions, among others. On balance, TGC's digital platform would contribute to maintaining TGC's transparency, the monitoring of FMs' supported projects, the communication of updates and, following TGC's project assessment, to informing FMs about the available projects.

#### **4.1.3. How would FMs benefit from TGC?**

FMs are formed by private businesses and citizens. By partaking in TGC, the former would undertake the so-called 'corporate philanthropy'<sup>5</sup>. In so doing, they would be able to build their competitive advantage, secure their legitimacy in society and improve their relationship with stakeholders. They would thus be granted a 'license to act', awarded by undertaking social action (Dunfee, 2011; Hogarth et al., 2018; Arco-Castro et al., 2018, Reich, 2018).

Furthermore, citizens would benefit from being able to exercise philanthropy in a more effective yet comfortable way. The centralised and digitalised features of TGC would allow citizens to perform the 'best' form of philanthropy in the 'easiest' manner. Thus, citizens' lives would benefit from TGC morally, by helping others in need; and in terms of time: philanthropy would no longer require as much time investment in terms of researching, filtering and funding different NPOs.

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<sup>5</sup> Dunfee (2011) on 'corporate philanthropy': "a transfer of money, goods, or services by a public for-profit organization based upon a significant social motive" (2011: 243).

Finally, FMs would enjoy a stakeholder position within TGC through their participation in the voting process. Such voting process would involve deciding on essential aspects of the cooperative. For instance, this would include electing the managing board. To ensure the maintenance of a democratic structure, TGC's management board would be rotary and anyone meeting the minimum requirements could become a candidate, even citizen FMs.

#### **4.2. How will The Giving Community increase planned and engagement philanthropy among Chilean society?**

In the previous chapters, three intertwined problematic areas – philanthropic knowledge, cooperation, and trust – were identified to be the cause of the Chilean preference for reactive philanthropy. Following the proposal of TGC as the new philanthropic approach, this section aims to concisely clarify in what manner this initiative might be able to potentiate both planned and engagement philanthropy in the country by tackling such problematic areas.

- **Knowledge**

As discussed above, TGC would conduct varied educational events, which would bring society closer to the third sector. Moreover, this cooperative would employ digital tools in order to maintain all members properly informed about transparency evaluation results, project assessments, civil society achievements, etc. Accordingly, trust, empathy and implication levels and therefore citizens' predisposition to contribute in a more compromised manner would increase.

- **Cooperation**

This new philanthropic approach would not only promote cooperation among CSOs but also throughout Chilean society. TGC would be formed by a mixture of civil society institutions with different fields of expertise. By providing NPOs with a forum to share their projects with other NPOs, TGC would facilitate the conduction of collaborative projects, increasing this way the NPOs' scope of action. Complementarily, citizens and businesses would be able to take part in the proposed projects in different forms and to participate in decision-making matters, thereby increasing cooperation between society and the third sector.

- **Trust**

By increasing knowledge and cooperation, TGC would be simultaneously

enhancing trust within Chilean society. In line with the Transparentocene's demands, mandatory periodical open-doors days, transparency evaluations and open project assessments would reinforce the proper visibility and governance of member CSOs, and, in short, render them more legitimate. This would render NPOs more efficient, responsible and transparent and, in short, more legitimate. Lastly, TGC's democratic structure would contribute to the rise of trust levels among citizens.

Given the correlation among the three problematic areas, over time, TGC's simultaneous focus on knowledge, cooperation and trust could gradually transform the citizen philanthropic practice by attracting a growing number of participants to each type of philanthropy. Due to its holistic approach, TGC would achieve this despite the varying degree of commitment that each philanthropic practice requires. Achieving this is essential if the pyramid in Figure 2 is to be reshaped and, thus, if the current Chilean social tendency of decreasing participation as required commitment increases is to be tackled. This approach could therefore increase the predisposition of Chilean society to become stable funding members and/or undertake volunteering action. Crucially, both planned and engagement philanthropy would be strengthened.

## Conclusions

Following the completion of the present study, it is possible to draw valuable conclusions regarding the Chilean philanthropic practice, its challenges, and the ways in which the current situation could be ameliorated.

It was initially argued that the influence of philanthropy laid the foundations of the civil society – one of the three pillars of any society, together with the market and the state – which contributed to the configuration of public policy and the implementation of institutional reforms, complementing thus the role of the state. Moreover, it was shown that, among private businesses' and government's contributions, philanthropy was essential for the reinforcement of the third sector.

Taking this as its starting point, this investigation initially covered the reality and prospects of philanthropy, commencing from an international perspective and later transitioning to an analysis of Chilean philanthropy and the third sector.

Despite Chile's extensive philanthropic tradition, the current tendency is for the common citizen to understand 'philanthropy' as an exclusively economic form of donation only conceivable for wealthy individuals, a belief associated with affluent philanthropists. Yet, the present paper emphasised that philanthropy is the mere act of giving without expecting anything in return, regardless of the person who might conduct the action.

While further analysing Chilean philanthropy, its greatest challenge it was argued to be altering citizens' philanthropic practices. Currently, the preference of citizens is to undertake a reactive form of philanthropy, also known as spontaneous giving, leaving planned philanthropy and engagement philanthropy behind.

Three are the main causes of such preference, namely limited philanthropic knowledge in society and within the third sector, and limited cooperation and trust in the third sector. The objective of this paper has therefore been to analyse such challenges and propose a potential new philanthropic practice which could help reshape and improve the whole national philanthropic system.

It has been shown that the three conflict areas are closely interrelated, and therefore a holistic approach would be the only possible manner to tackle these challenges. ‘The Giving Community’ was proposed as a potential solution.

TGC would be a new kind of philanthropic approach by which all knowledge, cooperation and trust would be enhanced in the third sector. Firstly, TGC’s structure would be cooperative – formed by different NPOs with different fields of expertise –, democratic and transparent. TGC would be in charge of both ensuring the legitimacy of member CSOs and offering the best projects to its funding members. Enhanced by a transparency and legitimacy policy, educational events, and the employment of digital tools to optimise its activities, TGC would appeal to both its stimulating members and its funding members. Indeed, it was argued that even if their projects were not elected, stimulating members would benefit from TGC membership due to greater cooperation, arising from their increased exposure to other organisations’ projects, and due to TGC’s knowledge-building mission.

Once the knowledge-building mission achieves an increase in philanthropic and third sector knowledge among common citizens and non-profit professionals, civil society dynamics and the importance of cooperation within third sector institutions and with society would be understood. Cooperation would thus be enhanced, expanding the scope of action of NPOs. Subsequently, the greater the scope of action, the greater the sector’s potential social impact. Furthermore, by maintaining high transparency levels regarding CSOs’ governance, achievements and goals, public trust would gradually rise.

Trust was shown to be essential to the existence of NPOs. It was indeed highlighted that there is an increasing demand for transparency in order to verify the legitimacy of institutions. BdC, the most trusted institution in the country, presented an outstanding example regarding good practices in governance, transparency and community involvement, thus becoming a role model for TGC.

Overall, TGC would benefit society, NPOs, funding members and the state, without causing any party to become worse-off. Society would benefit from ‘better’ and greater philanthropic action; NPOs’ support would increase due to greater knowledge and cooperation, even if their project is not elected within TGC; funding members would gain greater social acceptance and save time, all linked to the centralisation and digitalisation

of philanthropy; and the state would benefit from a safer, healthier and wealthier society if Chilean philanthropy is optimised.

The ultimate purpose of TGC is to foster philanthropy among Chilean society by increasing the number of participants in both planned and engagement philanthropy. The objective would be to boost both NPOs' funding members and volunteering supply. In this sense, the different degree of commitment required by each type of philanthropy should not prevent potential donors or philanthropists from conducting their respective endowments. Hence, the citizen philanthropic practice in Chile would be reshaped, advocating for a greater balance within the three different kinds of philanthropy and, subsequently, strengthening the third sector as a whole.

The present study has provided a coherent, realistic and informed argument supporting TGC's ability to tackle the flaws within the third sector to achieve these objectives. Therefore, if philanthropy is to be optimised in Chile, TGC, or at least its core ideas, ought to be implemented.

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## **Appendices**

## Interview templates

### Template 1: Non-profit professionals

1. Talk about yourself and your foundation. Talk about your approach to philanthropy through *Foundation X*. Why is \_\_\_\_\_ the focus of *Foundation X*?
2. What do you understand by philanthropy?
3. Is philanthropy limited to a specific group of the population?
4. Can philanthropy be part of the solution to inequalities? Please, explain your answer.
5. How does philanthropy complement the role of the state?
6. How could philanthropy improve in Chile?
7. How would you define transparency?
8. Would you consider transparency as something indispensable in order to ensure the quality of philanthropy?
9. Is transparency always a benefit or could it affect negatively the organisation which intends to be transparent?
10. What are the deployed strategies to push transparency? Do all of them work properly? Which of them is the most difficult to deploy and why?
11. Do you consider *Foundation X* to be sufficiently transparent? In what manner is *Foundation X* transparent or not transparent enough?
12. How could *Foundation X* be more transparent?
13. What are the philanthropic opportunities and demands? Is it a global trend without much differentiation?
14. Which strategies does *Foundation X* deploy to engage social investors? What type of social investors is more predominant?
15. How important is the role that publicity plays in *Foundation X*?
16. If a foundation with similar objectives to those of *Foundation X* struggles with transparency and becomes subject to criticism, how would this affect *Foundation X*?
17. How does the foundation react or would react if another foundation with the same objectives was created, with the subsequent division of the social investors?

18. How could a social investor with limited resources engage with *Foundation X* or contribute to the mission of the foundation?
19. What role does trust play in a philanthropic organisation?
20. How could trust be increased in *Foundation X*?

**Template 2: Non-professionals (common citizens)**

1. Talk about yourself and about certain cases in which you may have contributed to the wellbeing of society or people surrounding you.
2. What do you understand by philanthropy?
3. Is philanthropy limited to a specific group of the population?
4. Would you consider yourself a philanthropist?
5. What forms of doing philanthropy and becoming a philanthropist do you know?
6. Can philanthropy be part of the solution to inequalities? Please, explain your answer.
7. How could philanthropy improve in Chile?
8. Would you consider transparency as something indispensable in order to ensure the quality of philanthropy?
9. How would you define transparency?
10. Is transparency always a benefit or could it affect negatively the organisation which intends to be transparent?
11. How does philanthropy complement the role of the state?
12. What strategies do you know that non-profit organisations employ or could employ to boost transparency in their institution?
13. What role does trust play in a philanthropic organisation and how could this trust be increased?
14. What encourages people to make donations to a non-profit organisation?
15. What would a non-profit organisation have to do in order to gain public trust?

**Template 3: Non-professionals (firefighters)**

1. Talk about yourself and the reason why you decided to become part of BdC.
2. Did you consider any other non-risky form of assisting the community before deciding to become a firefighter?

3. Where did your interest to help others come from?
4. How does the firefighter's selection process work?
5. What do you understand by philanthropy?
6. Is philanthropy limited to a specific group of the population?
7. Would you consider yourself a philanthropist?
8. What forms of doing philanthropy and becoming a philanthropist do you know?
9. Do you consider your institution to offer equal opportunities for all? Please, explain your answer.
10. Which values does BdC instil in Chilean society and in how does it do it?
11. In May 2019 the survey Pulso Ciudadano was published. This survey exposed the degree of trust that Chilean society places in different institutions. BdC got the first position, as the most trusted institution. What do you think are the motives for these results?
12. What drives BdC to maintain an equal treatment towards society?
13. Where does most of BdC's income come from?
14. What encourages people to make donations to BdC?
15. How should the state contribute to BdC's financing taking into account that it is the duty of a state to act in case of national emergencies?
16. Does being a firefighter imply any type of economic benefit or are you hundred per cent volunteers?
17. If you do not receive economic retribution for your services as a firefighter, how can a firefighter make a living?
18. Do you consider that firefighters should receive economic retribution for their services? Please, explain your answer.
19. If firefighters received wages, how would this influence trust levels placed by society in the institution?
20. How would you define transparency?

21. Is transparency always a benefit or could it affect negatively the organisation which intends to be transparent?
22. What strategies do you know that non-profit organisations employ or could employ to boost transparency in their institution?
23. What strategies does BdC employ or could employ to boost transparency in their institution?
24. What role does trust play in a philanthropic organisation and how could this trust be increased?

# Questionnaire

## Part 1: Research questions

1. Do you consider yourself to have any stance towards the improvement of society in any dimension or do you take any action that contributes to it in any aspect? In that case, which one?
2. In the case of donating ECONOMIC RESOURCES to a non-profit organisation, what factor or factors would you consider most important in deciding whom to support? Please, from 1 to 5, 1 being 'unimportant' and 5 'essential', indicate the degree of importance of each factor.
  - a. Reputation of the organisation
  - b. Evidence of the social impact generated
  - c. Place where the project is executed
  - d. Common interest in the same cause (e.g. children, cancer, sports)
  - e. Advertising
  - f. Clarity in the economic administration
  - g. Management team of the organisation
  - h. Link with beneficiaries (e.g. family, friends, acquaintances ...)
  - i. Number of beneficiaries
  - j. Religion
  - k. Knowledge of the support that the organisation or cause needs at that time
  - l. Communication of the organisation with the donor
  - m. Interest in helping, regardless of whom or what cause
3. In the case of providing IN-KIND DONATIONS to a non-profit organisation, what factor or factors would you consider most important in deciding whom to support? Please, from 1 to 5, 1 being 'unimportant' and 5 'essential', indicate the degree of importance of each factor.
  - a. Reputation of the organisation
  - b. Evidence of the social impact generated
  - c. Place where the project is executed
  - d. Common interest in the same cause (e.g. children, cancer, sports)
  - e. Advertising
  - f. Clarity in the economic administration

- g. Management team of the organisation
  - h. Link with beneficiaries (e.g. family, friends, acquaintances ...)
  - i. Number of beneficiaries
  - j. Religion
  - k. Knowledge of the support that the organisation or cause needs at that time
  - l. Communication of the organisation with the donor
  - m. Interest in helping, regardless of whom or what cause
4. In the case of undertaking VOLUNTARY SERVICE (donation of time and/or professional knowledge) in a non-profit organisation, what factor or factors would you consider most important in deciding whom to support? Please, from 1 to 5, 1 being 'unimportant' and 5 'essential', indicate the degree of importance of each factor.
- a. Reputation of the organisation
  - b. Evidence of the social impact generated
  - c. Place where the project is executed
  - d. Common interest in the same cause (e.g. children, cancer, sports)
  - e. Advertising
  - f. Clarity in the economic administration
  - g. Management team of the organisation
  - h. Link with beneficiaries (e.g. family, friends, acquaintances ...)
  - i. Number of beneficiaries
  - j. Religion
  - k. Knowledge of the support that the organisation or cause needs at that time
  - l. Communication of the organisation with the donor
  - m. Interest in helping, regardless of whom or what cause
5. What essential features should a non-profit organisation have in order for it to be considered transparent?
- a. Showing income and expenses
  - b. Reporting results
  - c. Involvement with the community
  - d. Proving the impact generated in society
  - e. Other features

6. Please, from 1 to 5, 1 being ‘unimportant’ and 5 ‘essential’, indicate the importance that the transparency of a non-profit organisation would have for you if you donate...
- a. 100 – 2.000 CLP
  - b. 5.000 – 10.000 CLP
  - c. 15.000 – 30.000 CLP
  - d. 50.000 – 100.000 CLP
  - e. 200.000 – 500.000 CLP
  - f. 600.000 – 999.000 CLP
  - g. Over a million CLP
7. What does philanthropy mean to you? Is philanthropy limited to a specific group of the population?
8. Do you consider that the new technological tools could serve to enhance transparency in non-profit organisations?
- a. Yes
  - b. No
  - c. Maybe
9. Would you use a digital platform displaying information about current projects and donation possibilities?
- a. Yes
  - b. No
  - c. Maybe

## **Part 2: Respondent's profile**

10. Age:
- a. Under 18
  - b. 18 - 25
  - c. 26 - 35
  - d. 36 - 45
  - e. 46 - 55
  - f. 56 - 65
  - g. Over 65
11. Gender:
- a. Male



- b. Female
  - c. Other
- 12. Country of residence:
- 13. Religion:
  - a. Under 18
  - b. 18 - 25
  - c. 26 - 35
  - d. 36 - 45
  - e. 46 - 55
  - f. 56 - 65
  - g. Over 65
- 14. Monthly income:
  - a. No monthly income
  - b. Less than 276,000 CLP
  - c. 276,000 – 500,000 CLP
  - d. 500,001 – 900,000 CLP
  - e. More than 900,000 CLP