



THE TRUST REPORT

The role of trust in civil society and how it affects public charity engagement



Written by Lukas O Berg
with assistance from Charlotte Månsson

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EXECUTIVE SUMMARY

This is a paper about trust in the charity sector. It is written for anyone working with or interested in global nonprofit development.

In the paper we refer to trust as in donors trusting that an organization is accountable and how trust (or lack thereof) affects the cycle of giving.

We look at the overall phenomenon of trust and its place in civil society. We look at measures taken to strengthen trust, and how charities work to build trust through their communication.

The paper also focuses on the challenges of charity mistrust internationally and how it can be prevented.

As a note to the topic of mistrust we would like to stress the fact that people working in the charity sector do an admirable job and deserves utmost respect for their contributions to society. Charity organizations should also be credited for their honorable dedication to improve the global welfare. The crux of the matter is that since the charity sector is so sensitive to breaches of trust, probably more so than any other, one single instance of exposed fraud or mismanagement often stains the whole sector. This is why trust is referred to as “the currency of civil society”.

For this paper we have gone through numerous articles, research papers, interviews and surveys from all over the world in order to get a better understanding of the role of trust in the charity sector and how it can be nurtured to boost donor engagement. We would like to thank the individuals and organizations that have provided us with their input on the topic. We would especially like to thank Robert Mather (founder of Against Malaria Foundation), Jennifer Nixon (Senior Director of Development at Village Enterprise) and Martin Lloyd (Marketing Communication Manager of Greenpeace International).

This report is a part of the intelligence platform of Charity Star. Charity Star is a social development initiative working for the establishment of an international certification for charity organizations regarding transparency and accountability. The topic of trust and the information deriving from this report provides us with a small component of the greater understanding that is crucial for our development.

Lukas O Berg
Founder, Charity Star



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1. TRUST – THE CURRENCY OF CIVIL SOCIETY

Trust as an organizational asset is more important within the nonprofit sector than in any other, it is a core motivator for donor engagement and a unique selling point for fundraising CSOs. Donating time and money for a good cause is driven by a confidence that the time and money donated will have a positive impact. Donations are rarely accompanied with a receipt of what that specific donation represents in regards to change, hence trust becomes an essential value in the donor-fundraiser relation.



In a paper called “Trust, Accreditation, and Philanthropy in the Netherlands” the author, René Bekkers writes: “Theories from very different disciplines such as economics, legal theory, and political science imply that trust is of crucial importance for charitable giving”.

Dr. Dorothea Greiling is a researcher and member of various international working groups focusing on performance measurement, regulation, New Public Management and Nonprofit Organizations.

In a paper from the Innovative Journal entitled “Trust and Performance Management in Non-Profit Organizations” Dorothea Greiling looks into the potential of trust as a soft factor which could lead to more effective performance management in the nonprofit sector. She writes “Trust is also a factor that is highly relevant to non-profit organizations, not least because they produce to a large extent goods and services with credence properties”.

Greiling talks about asymmetries in the field of nonprofit services and says that one of these types of information asymmetries arise “...because the service recipient is not always the one who pays for the service provided. The institutions or persons who finance the service are also often not present when the service is provided. They may therefore look for signals of trustworthiness”.

One of the experts in the field of social capital, Robert D. Putnam also talks about the beneficial aspects of trust. He is convinced that trust is a central element in social capital and that the greater the level of trust the greater the likelihood of cooperation.

From our interviews with individual charities we found that one of the benefits of trust is that it engages donor ambassadors who in turn advise new donors, fuelling a positive cycle of giving.

Most charity organizations are fully aware of the power of trust and have committed to international policy charters, agreements and accreditations for transparency and accountability (see examples in the chapter called “measures for establishing trust”). Some organizations focus on information rather than communicating anecdotal stories in order to build trust and some put efforts on donor inclusion.

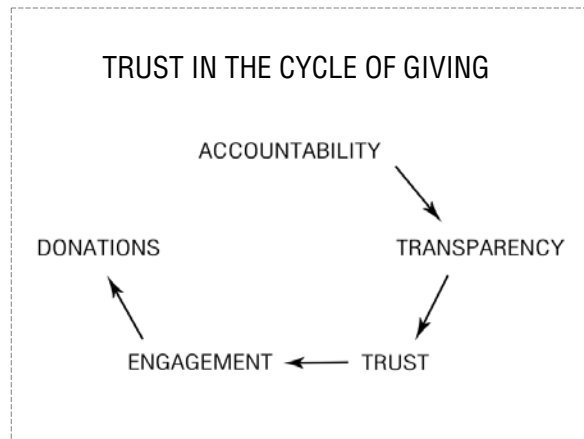
Organizations work with different approaches to establish trust depending on their size, structure and focus of operation. Ultimately it is about communicating to stakeholders that what you promise to deliver gets delivered and that you are responsible in managing donor funds.



2. TRUST IN THE CYCLE OF GIVING

To define the role of trust in the charity sector we must place it in the context of giving. Where does trust come from?

Changingminds.org defines trust as “...both an emotional and logical act. Emotionally, it is where you expose your vulnerabilities to people, but believing they will not take advantage of your openness. Logically, it is where you have assessed the probabilities of gain and loss, calculating expected utility based on hard performance data, and concluded that the person in question will behave in a predictable manner”.



Whether logical or emotional, trust is often built on the fulfillment of one person’s expectations of another person’s promise. This reciprocal agreement is sometimes explicit but often implicit. In the charity sector, the parties forming this reciprocal agreement consist of the fundraiser and the donor. The level to which extent the fundraiser fulfills the donor’s expectations is measured by impact and accountability. Accountability is like the mother of trust in the charity sector. It is the way for charities to prove their legitimacy and to what degree they hold their promises, but it is also a way to create a dialogue with the donors, informing them on the complexities of their work. Accountability is just as much about communicating challenges as is it about proving success. Some representatives of foundations that we have been in contact with express a concern over the fact that sometimes presentations of charities (for the foundations to support) are “all sunshine and no rain”, which makes them less credible than if they would have included their weaknesses and threats.

Accountability is naturally connected to transparency which is the degree of how openly an organization communicates its information. Transparency is also measured by the availability of the information.

An accountable and transparent organization holds the prerequisites of being trusted by donors. This trust manifests in a strengthened donor engagement which in its turn generates a greater amount of donations, and the giving cycle is complete.

3. PUBLIC CHARITY MISTRUST AROUND THE WORLD

A lot of charity organizations don’t see mistrust as an issue to be concerned with because they themselves are bona fide and have perhaps also taken trust building measures such as signing NGO accountability agreements or developing internal ethics policies. Mistrust however, is a challenge facing the whole charity sector on an international level. The growing number of established charities around the world is accompanied by an equally growing number of fraudulent ones. Isolated incidents of charity mismanagement and fraud scandals exposed in the





media results in a lack of public trust, not only towards individual organizations but for the sector as a whole.

Independent studies and surveys on public charity engagement and trust have shown that mistrust is often the greatest barrier to charity engagement.

GfK Custom Research recently published their 2011 “GfK Trust Index” survey which has been carried out in 19 countries to determine the levels of trust that citizens place in 20 professional groups and organizations, of which charities were one of them. The research concluded that trust for charities increased five percentage points on the previous year’s value to 64%.

The fact that the level of trust slightly increased is of course positive news, however one in three citizens still lack trust in charities. There are other studies that verify the internationally spread existence of charity mistrust. Here follows some examples.

USA

Americans are the most philanthropic people in the world and give twice as much as the next most charitable country, according to a November 2006 comparison done by the Charities Aid Foundation.

Charity organizations in the US have to qualify as tax exempt under Section 501(c)(3) of the Internal Revenue Code. Apart from this formal legitimization, there are also a number of independent charity rating organizations that help establish donor’s trust by more qualitative evaluation.

Unfortunately public mistrust still exists, discouraging some Americans from donating to charity.

A survey sponsored by the Better Business Bureau (BBB) Wise Giving Alliance, conducted in September 2001 by Princeton Survey Research Associates, showed that 79% of Americans said it is very important to know the percentage of spending that goes toward charitable programs, whereas 70% said it is difficult to know whether or not a charity asking for their support is legitimate.

In 2006 NBC News reported of a poll conducted by custom market research firm, Harris Interactive, showing that only one in 10 Americans strongly believes charities are "honest and ethical" in their use of donated funds. And nearly one in three believed nonprofits had "pretty seriously gotten off in the wrong direction".

A more recent research from 2011, conducted by America’s leading discount site CouponCodes4U.com, was conducted on 7 587 members of the US public with the objective to discover attitudes of Americans towards charities, and giving money to charitable causes. The research found that a quarter of Americans (26%) admitted that they don’t trust charities, while a further 1 in 5 (19%) of Americans who took part in the study admitted that they would purposely avoid charity collectors in the street. Of the 26% who admitted that they don’t trust charities, the majority (57%) explained that this was because they did not know how donation money is spent.

AUSTRALIA

In Australia there is no statutory definition of charity. In 10 May 2011 however the Assistant Treasurer announced the establishment of the Australian Charities and Not-for-profits Commission (ACNC). ACNC will commence operations on 1 July 2012 and will be responsible for determining the legal status of groups seeking charitable benefits.

A 2011 research study from by Charities Aid Foundation Australia (CAF), called “Disasters, Donors and Giving” asked 1 045 employee donors from 59 companies operating a CAF Workplace Payroll



Giving program how they experienced communication from charities. The study showed that 75% of donors felt that charities do not communicate well about how their regular donations are used.

The research found that Australians continue to be willing and supportive donors, particularly in times of disaster, but they want charities to be more transparent by communicating administration costs and time lines for appeal efforts as well as to demonstrate the impact of donations through success stories and the scale of their efforts.

Another survey from 2006 conducted by Young Professionals for Charity Inc. of Melbourne's generation X and Y leaders found that 92% wanted to volunteer more time and donate more regularly to charity, but a lack of trust, convenience and targeted information was holding them back. When asked why they weren't donating more regularly to charity, 34% of the respondents said they were unsure of whether their donation would be spent on those who needed it.

CHINA

Philanthropy is only beginning to develop in China as more and more Chinese enter the middle and upper classes. The Sichuan earthquake in 2008 which many regard as the real starting point of modern Chinese philanthropy, led to a rise in civic consciousness, and the next year the government recorded \$ 8 billion in donations. The Chinese charity sector is emerging in a pace that has left the laws of how it should be governed behind, leaving grass roots NGOs to rely on self-regulation. Meanwhile, a 2009 draft law to regulate this multi-billion dollar sector has yet to be passed.

In an article published by the New York Times in July 2011 Edward Wong writes "(public's) fear (of charity mismanagement) is mostly rooted in the government's insistence on controlling charity work and promoting its own vast organizations, while setting limits on the activities of private foundations. So large state-run charities, especially the Red Cross, are suspect in the eyes of many Chinese".

One recent trigger for public charity mistrust in China was the Chinese Red Cross scandal in June 2011. The scandal was about Guo Meimei, a young woman, posing in exclusive designer clothes in front of her sports car. The public outrage ignited when it was known that Guo Meimei was holding a senior position at the Red Cross Society of China. The Red Cross Society of China is a government organization that is the country's largest charity, and since June (2011) Ms. Guo and the Red Cross have been the most talked-about subjects on the Chinese Internet.

On top of that, in the middle of the Guo Meimei scandal, the Chinese National Audit Office issued a report on the Red Cross where it had uncovered several financial irregularities.

In an online poll conducted just after the Red Cross China scandal 96 percent of the 650 responders said that they would not trust the Red Cross or donate to them any more.

Jia Xijin, director of the NGO Research Center Tsinghua University (NGORC) told the New York Times: "People have had doubts for a very long time. The issue is public trust or accountability of charities, the accountability of philanthropy organizations in China".

As a response to the charity mistrust, smaller charities in China are calling for new charity regulation. An article from Xinhua News posted in August 2011 called "Chinese civilian NGOs seek charity legislation" says that alongside official charities, grass roots NGOs are trying to open up their financial affairs. But a lack of legislation is forcing the industry to rely on self-regulation, making it difficult to earn public trust. Some civilian charities are now calling for new laws.



GERMANY

According to an international survey conducted by the German research company GfK Verein in 2011 Germans are less generous than the average European or US citizen when it comes to charitable donations. The survey states that only one in five Germans donate money every year, and around the same proportion give their time or goods instead. Almost half have no involvement with charitable causes.

Germany's charity accreditation body Deutsches Zentralinstitut für Soziale Fragen (DZI) works to promote ethical standards and transparency within German based charity organizations. DZI have also developed their own accreditation seal of approval for charities that German charities (since 1992) can apply for in order to signal "honesty" and "trustworthiness".

A paper written by Rob Simmons, Maren Schaefer and Bernd Frick entitled "The economic performance of charities in Germany" showed that "the accreditation initiated by the DZI increased the transparency of the German donation market" and the "donation seal was proved to be successful in reducing information asymmetries". Furthermore they found that "The number of organizations that are entitled to use the certificate has been growing over the years, suggesting that receipt of the accreditation is indeed a valuable asset".

RUSSIA

Civil society in Russia consists of more than 220 000 non-commercial organizations and public associations (collectively referred to as NGOs). In January 2006 Russia enacted the Russian Federation Law which introduced burdensome and difficult-to-meet reporting requirements for NGOs. The legislation raised special concerns because it allowed for broad interpretation.

In 2007 Russian charities totaled \$ 1.5 billion. Growth in philanthropy in Russia in 2007-8 was among the highest in the world. But when the economic crisis hit, it hit Russia hard and its charities along with it. The effect was so hard that some people even feared the end of philanthropy in Russia. One article published by Rossiyskaya Gazeta (Russia) in 2009 questioned if charities in Russia "will survive the economic crisis as major businesses, formerly the principal donors, are cutting back". One Russian volunteer organization called Friends of Compassion that helps hospitals, orphanages and nursing homes, even used the slogan "Philanthropy is finished – compassion remains".

Many newspapers such as the Daily Telegraph wrote articles on the Russian philanthropy phenomenon during 2009 saying that perhaps one of the biggest impediments to the development of private aid in Russia is society's lack of trust in charities. At a 2009 conference called "Charities in Russia", Olga Alekseyeva who is Director of Charities Aid Foundation Global Trustees, noted that a poll conducted in Brazil, Russia, India and China showed that Russia was the only country where the largest segment of the population (49%) preferred to give money directly to people in need.

Alekseyeva said "It's the foundations themselves that Russians are wary of, not the idea of charity. The foundations are partly to blame, as their activities often lack openness and transparency".

UK

On July 20th 2011, Ipsos MORI on the behalf of the Charity Commission for England and Wales completed a research study entitled "Public trust and confidence in charities" where a representative span of 1 150 adults aged 18+ was interviewed over the telephone.



The study has been conducted in 2005, 2008 and 2010. The first, 2005 study was initiated in response to the Charities Bill which proposed a new statutory objective for the Charity Commission to increase public trust and confidence in charities. Some of the main objectives of the 2010 research were to investigate public trust, confidence and general attitudes towards charities in 2010, applicable changes from 2005 and 2008, as well as to explore key drivers for overall trust.

When asked how much the respondents trusted charities from a scale of 1 to 10 the average rating was 6,6 which was in line with the 2008 survey. However the survey pointed out some interesting differences from past years. It said: “The most noticeable change to public attitudes to charities relates to the factors that affect their level of trust. While in 2008 the most important factor influencing trust was the charity’s ability to make a positive difference to the cause they work for, (35%) in 2010 the most important factor was that charities ensure a reasonable proportion of their donations get to the end cause (42%)”.

This correlation of mistrust and lack of information is further emphasized later in the survey stating that: “Of the 11% of people who say their trust and confidence in charities has declined over the past two years, the most common reason for this is negative media coverage about the ways in which charities spend donations (28%)”.

The survey also shows that 96% believes that it is important that charities provide the public with information on how they spend their money (same as in 2008) and 89% say that it is important to them that charities explain in a published report what they have actually achieved.

MEXICO

Mexican charities are regulated by the government. Under the Mexican Income Tax Law, organizations are eligible for “authorized donee status” if they engage in certain publicly beneficial activities and comply with certain rules and regulations. This status entitles the authorized donee to issue tax-deductible receipts to donors. Additionally charities in Mexico can also be registered at the National Institute for Social Development (INDESOL), which is a requirement for obtaining federal funds.

Mexicans are generally considered a generous people, however the lack of organized civil society and institutional philanthropy is restricting charity engagement and overall philanthropy.

According to Mexico’s Center for Philanthropy, the percentage of the country’s gross domestic product dedicated to charity was 0.04 in a 2003 study, nearly 40 times lower than the United States. Developing countries such as Colombia, Brazil and Argentina also ranked much higher.

There are many reasons for Mexico’s restricted charity engagement. In an essay called “A paradoxical generosity: resolving the puzzle of community philanthropy in Mexico”, the author Michael D. Layton writes on the topic of organized philanthropy. Layton mentions a study published in 2005 by the Mexican center of philanthropy which found only 125 organized donor entities in Mexico, which means that there is roughly one such institution for every one million Mexicans. He concludes “a remarkably low proportion for a middle income country with the world’s twelfth largest economy”.

Another reason for the low level of philanthropy has to do with the fear that high net worth individuals have of being targeted by drug cartels and kidnappers. A Washington Post article published in August 2011 called “Charitable giving in short supply in Mexico” writes that in addition to fear of publically displaying one’s wealth by giving, “corruption among public officials has eroded already low levels of trust in Mexican institutions, leaving potential donors with a heightened suspicion of many charities”.



In the same article Alicia Lebrija, director of the Televisa Foundation says: “Mistrust permeates the whole philanthropy world”. Televisa Foundation donates \$20 to \$30 million a year, of which the majority is raised through televised pledge drives.

THE IMPACT OF CHARITY MISTRUST

Mistrust is detrimental to donor engagement. Evidence of this can be found in the above mentioned “Guo Meimei scandal” of the Red Cross Society of China who are now struggling to find donors. Nanfang Daily reported that only 11 donors gave 5 035 yuan (\$ 782) to the Shenzhen office in July, a drop of 90%. In an article from France24.com, Jia Xijun, director of NGORC said "If the current situation continues, I don't think people will be willing to donate in the future".

Public charity mistrust is a global phenomenon that can evolve over a longer period of time due to poor governance and regulation. It can also be suddenly fueled by isolated incidents of fraud or mismanagement.

In either case the impact of mistrust is the same, weakened charity engagement and decreased donations – the giving cycle is broken.

Damaged trust can however be rebuilt and mistrust prevented. In the chapter called “Measures for establishing trust” we give some examples of different initiatives aimed to strengthen donor trust.



4. A MARKET FOR TRUST

Different studies show that there is a public demand for independent third party charity accreditation.

In a survey by ICM Research for the Media Trust (U.K.), 73 % of the respondents said they would be more likely to give to a charity if they had independent information about a charity performance and this figure was 90% amongst those who had never given to charities.

A Canadian Survey of Giving, conducted by the organization Volunteering and Participating (NSGVP) asked Canadians if a variety of potential motivations and barriers affected their decision to donate to nonprofit and voluntary organizations. Among non-donors, a majority (52%) of those aged 55 to 64 said that they did not donate more because they believed that their donation would not be used efficiently.

In a working paper from the Charles University in Czech Republic, the author, Katarína Svítková writes about “The Impact of Certification on the Quality of Charities”. In the paper she concludes that: “We show that under a wide parameter range, the presence of a certifier in the market increases incentives for managers to run a good charity, leading to an increase in the number of good charities”.

In a paper called “Trust Accreditation and Philanthropy in the Netherlands”, the author, René Bekkers of Utrecht University makes an empirical analysis of the effect that the establishment of Netherlands’ national charity accreditation “CBF Kuer” had on donations and public charity engagement. The accreditation system was designed to increase trust in charitable causes by signaling trustworthiness to the public. CBF’s evaluation survey showed that people that know the



accreditation seal were more trusting of charities than people who do not.

Below are some examples of different kinds of measures that have been established to help strengthen trust and confidence in nonprofit organizations.

5. MEASURES FOR ESTABLISHING TRUST

There are many ways charities can establish trust. As we have illustrated earlier, trust derives from accountability and transparency.

Charities have the opportunity to associate with different kinds of charity accreditations and collective policy agreements on transparency and accountability, to use in their communications as a sign of legitimacy towards donors.



Communicating that you, as a fundraising NGO, allow independent, third party scrutiny gives confidence to donors. In a paper called “Monitoring Charitable Organizations: Criteria and Assessment Methods”, the author Burkhard Wilke refers to a German survey showing that a seal-of-approval issued by Germany’s charity accreditation body Deutsches Zentralinstitut für Soziale Fragen (DZI) was regarded six times more important by donors than testimonials from charity executives.

The market for trust has encouraged the development of different policy charters, quality accreditations and independent charity evaluation services. Below we list some examples.

INTERNATIONAL POLICY AGREEMENTS

Paris Declaration on Aid Effectiveness

The Paris Declaration on Aid Effectiveness was established at the High-Level Forum on Aid Effectiveness on March 2005 and assembled ministers of developing and donor countries responsible for promoting development and heads of multilateral and bilateral development institutions. With the declaration the participants committed to take far-reaching and monitorable actions to reform the ways they deliver and manage aid.

INGO Accountability Charter

The INGO Accountability Charter outlines its member organizations’ (International Non Governmental Organizations) common commitment to excellence, transparency and accountability.

INDEPENDENT ACCREDITATION BODIES

ICFO

The International Committee on Fundraising Organizations (ICFO) is an independent association of national monitoring agencies working to ensure that fundraising for charitable purposes is being organized and performed in a satisfactory manner and that the administration of the collected funds is adequate.

The Philippine Council for NGO Certification (PCNC)

The PCNC is a private non-profit corporation that serves as a service organization whose main



function is to certify nonprofit organizations that meet established minimum criteria for financial management and accountability in the service to underprivileged Filipinos.

Cooperation Committee For Cambodia (CCC)

The CCC is a collective response by NGOs and works in partnership with the NGO community, donors/funding agencies and other stakeholders to professionalize and strengthen the NGO sector in Cambodia by encouraging and promoting NGO accountability and good organizational practice.

INDEPENDENT CHARITY EVALUATORS

Charity Navigator

Charity Navigator is America's largest charity evaluator. They rate charities by evaluating two broad areas of performance: 1. their Financial Health and 2. their Accountability & Transparency.

Guidestar

Guidestar is a US based pro philanthropy organization that gathers information on charities. They encourage nonprofits to share information about their organizations openly and completely. Any nonprofit in their database can update its report with information about its mission, programs, leaders, goals, accomplishments, and needs, for free.

Apart from the examples given above there are numerous of other local NGO accountability principles and accreditation bodies around the world. They all have different structures, agendas and functions but share a common ambition, to encourage trust. Below follows an example of how the Scottish charity regulator, OSCR, have worked with a participatory approach for trust building.

CASE STUDY FOR ESTABLISHING TRUST - OFFICE OF THE SCOTTISH CHARITY REGULATOR

In 2011, the Office of the Scottish Charity Regulator (OSCR) published an independent survey on how public and charities value OSCR and its work. The survey, called "External Stakeholder Research 2011" was carried out by the research organization TNS BMRB, surveying 1 018 members of the public and 1 139 Scottish charities.

One of the survey findings was that those aware of OSCR are more likely to have trust and confidence in the work of charities.

The survey also found that:

- 95% of the public in Scotland said that the role of the Office of the Scottish Charity Regulator is "essential" or "important".
- Among charities, well over half (60%) said that they would welcome the opportunity to file their accounts and returns to OSCR online when the service becomes available.
- Some 89% agree that completing OSCR's documentation is "now part and parcel of what they do".
- 95% of the public believe that OSCR's role is essential, very important, or fairly important, with 71% agreeing that knowing about OSCR and its role gives them more trust in charities.
- The chief concerns expressed about charities were financial, with 38% stating "I don't know how they spend their money".



OSCR's Chief Executive Jane Ryder said “These are very positive findings and demonstrate both our impact on the governance of the sector, and the view of the public that regulation is necessary”.

The office of the Scottish Charity Regulator is a good example of how to involve multiple CSO stakeholders and implement a regulatory framework that in a measurable way establishes trust to increase civil society engagement.

6. COMMUNICATING TRUST

John D Rockefeller once said “Next to doing the right thing, the most important is to let people know you’re doing the right thing”. In the charity sector, letting people know you’re doing the right thing is not only important but often crucial for an organizations’ success.

Just like poor regulation or fraud can be the cause of mistrust so can a lack of communication towards donors which makes even fully legitimate charity organizations potential targets of mistrust.



MISCOMMUNICATION

A common concern from people mistrusting charities is not knowing how their donations are being spent. Another one is the worry that charities spend too much of their funds on administration costs.

In the previously mentioned paper called “Trust, Accreditation, and Philanthropy in the Netherlands”, the author René Bekker mentions a public donor evaluation survey made in connection with the implementation of the CBF Kuer charity accreditation. It stated that, on average, the Dutch population thinks that that 43.5% of the money that charitable causes receive from donors does not reach the supported cause. This showed that this estimated proportion is more than three times the actual cost-income ratio of charitable organizations (13.2%). Bekker concluded “It seems that the Dutch public vastly overestimates the costs that charitable causes make in fundraising”.

Most organizations working in the charity sector agree that judging effectiveness solely by the overhead ratio is irrelevant, incomplete and misleading, yet many donors still use it as a metric for charity effectiveness.

Many donors are also concerned with high nonprofit executive salaries. The opposing side argues that a nonprofit executive job requires just as much work as any other executive job and that competence costs.

These kinds of arguments, that are often based on miscommunication can result in mistrust even though there might not be any real grounds for it.

The average citizen (i.e. potential donor) needs to better understand the process of the charities’ work including its challenges or he/she will keep staring at overhead ratios and executive salaries forever. Hence, communicating this work process should be in the interest of all charities.



FOUR P'S AND A "T"

The overall communication landscape today is dense and can be likened to Tokyo's Shibuya square during rush hour where a myriad of advertising messages simultaneously blinks, sounds and moves in a sea of neon lights. Just like any other company, charities constantly need to find new ways to reach through the intense media clutter and become relevant in the eyes of potential donors.

Most people working with marketing today are familiar with Jerome McCarthy's four P's. As an American marketing professor at Michigan State University, McCarthy cemented the epic model of the 4 P's as main components of the marketing mix. The four P's stand for: Product, Price, Placement and Promotion and represent tools of leverage for any business selling goods and services.

For organizations in the charity sector there is perhaps a need to add a T to the mix, a T for Trust?

In the beginning of the paper we wrote about trust as "the currency of civil society", a suitable metaphor for this unique selling point.

On Guidestar's "Trust Blog" Dan More refers to the nonprofit sector as "the trust business". He also summarizes how trust is connected to information and communication.

"In a regular consumer transaction, the purchaser and the consumer are one and the same. When the experience is satisfying, the consumer may be willing to repeat the purchase. When the experience is not, we often complain to our friends and warn them about the experience. In a giving transaction, the feedback loop on the experience is missing to reinforce the positive experience or to alert the donor in a negative experience". He further adds "Nonprofit leaders build trust with their donors by sharing information about their programs and their accomplishments. Sharing information builds trust".

The previously mentioned Ipsos MORI/Charity Commission research study on public trust in charities confirms this correlation of trust and information saying: "...knowledge in charities and the charity sector appears to be connected to overall trust and confidence".

From this we can conclude that communicating information on how charities work is key in establishing trust and engagement. Charities that add a "T" to their marketing mix and include it as a natural part of their mindset stand a good chance to gain donor engagement.

7. TRUST FROM THE CHARITIES' PERSPECTIVE

Since trust building in theory is easy to simplify we asked three different charity NGOs to share their views on trust and how they work with trust building and accountability towards donors.





AGAINST MALARIA FOUNDATION

The Against Malaria Foundation is a UK based organization working to prevent malaria through bed nets distributed mainly in the African region.

The organization has a full time staff of two and a part time staff of three to five. Only one person receives a salary and 100% of all public donations go to bed nets. They have also found an extraordinary deal enabling them to buy the nets for the lowest cost in the world.

All of the organization's partners (accounting, bank, legal etc), work pro bono. For larger quantities of net distribution they use distribution partners who also cover the excessive distribution costs. They hold the distribution partners accountable for every shipment of nets and they also make this information available on their own website. This way anyone who is interested can look at exactly what villages got access to nets, how many nets were distributed, at what time etc. This goes all along the management mantra that is "proving results rather than communicating anecdotal stories".

This super slimmed model and high focus on transparency does not only make the organization more cost effective it also generates greater amounts of donations as it attracts private donor ambassadors who tell their friends, who tell their friends. Their marketing budget is zero but they still manage to attract million dollar donors, so in this case you can clearly see how the cycle of giving is fueled by trust.

The founder of Against Malaria Foundation, Robert Mather says "Trust is the cornerstone of every single charitable activity".

VILLAGE ENTERPRISE

Village Enterprise is a US based organization with the mission to equip people living in extreme poverty with the resources to create sustainable businesses.

Village Enterprise have a staff of 32, where seven are located at their headquarters in San Carlos, USA, and 25 operate in East Africa, at their offices in Uganda and Kenya. Their estimated revenues for this fiscal year is 1 300 000 USD.

We asked Senior Director of Development, Jennifer Nixon to share her thoughts on the topic of trust and how they work with trust building towards their donors.

"Village Enterprise believes trust is key to attract and keeping donors. We have used our focus on measurement and evaluation, and the sharing of those results to demonstrate our impact and reinforce trust.

We keep fine-tuning our targeting/monitoring/evaluation, and we have a field staff person whose focus is measurement and evaluation. Our increased funding from institutional sources has meant more focus on this area, and we can communicate our results to our donors. We communicate stories, as well, in our newsletters and donor receipts, to show real-life examples of the people we are helping to develop sustainable livelihoods.

We share examples of where we can improve, so our donors know we are open about mistakes and are making efforts to correct them. When there are major transitions, wonderful or painful, we personally write and/or call our major donors. We have a newly designed website that makes it easier for donors to see what is new and how our programs are changing and improving. A new social media strategy enhances that sharing.



We have gone through a rigorous evaluation with GiveWell and are one of their top-rated international charities, with strong marks on transparency and monitoring and evaluation. We advertise this, which is a source of credibility”.

GREENPEACE INTERNATIONAL

Greenpeace is an internationally recognized NGO working to protect the planet in areas such as global warming, deforestation, overfishing, commercial whaling and anti-nuclear issues. They have offices in over 40 countries with an international coordinating body in Amsterdam, The Netherlands.

What are Greenpeace’s thoughts on trust, and how do they work to encourage trust from donors? Greenpeace International's Marketing Communication Manager Martin Lloyd explains:

“Greenpeace has always been an independent organization that takes no money from governments or corporations. This was one of the founding principles of Greenpeace and was intended to free us from unwanted outside influence.

Further, we always aimed to have a deep and broad fundraising base. So while we do have some large individual donors the overwhelming majority of our income comes from three million individual donors. In this way the structure of our fundraising operations plays a role in sustaining the trust of our three million individual donors.

They understand that we are free from external influence and cannot be bought off or dissuaded from a particular issue by third parties. Our supporters expect us to act on behalf of the environment, and because we maintain our independence they trust us to do just that.

To maintain this level of trust we work to keep ourselves accountable to those supporters. We provide regular updates on our campaigns through our website and annual report. Our offices all maintain supporter services teams who can answer the individual questions of our supporters”.

8. CONCLUSION

From the content of this paper we can truly confirm the saying that “trust is the currency of civil society”. The evidence of the importance of trust can be seen in the trust building measures that have been developed by the sector in the shape of accountability and transparency agreements, as well as by the variety of independent charity evaluation and accreditation services around the world.

We can see how the effects of mistrust from donors affect charities directly by decreased engagement and support. On the contrary we also learn how well established trust can boost donor engagement, making donors ambassadors of an organization and catalyzing a positive cycle of giving.

Clear information on organizational structure, performance, mission, vision, accomplishments but also failures and challenges, is key in establishing trust. Failed communication towards donors can make even fully legitimate charity organizations potential targets of mistrust.

If communication is clear, honest and inclusive it has the potential to increase donor trust and by that increase the amount of donations. This can be done by adding a “T” for Trust to the four P’s of marketing. Since trust is so important, it must be placed in the driver’s seat of the organization and be prioritized on a management level.



A successful implementation of trust building measures in an organizations' communication plan can make a big difference to organizations making a big difference.

RESOURCES

What is a Charity? (The Australian Government)

http://www.cdi.gov.au/report/cdi_chap2.htm

Establishment of the Australian Charities and Not-for-profits Commission Regulation Impact Statement –Treasury

<http://ris.finance.gov.au/2011/05/19/establishment-of-the-australian-charities-and-not-for-profits-commission-regulation-impact-statement-%E2%80%93treasury/>

The generation gap is costing Australian charities millions

http://www.y4c.org.au/release_2006-09-27.html

Quarter of Americans Don't Trust Charities

<http://financialpressgazette.com/quarter-of-americans-dont-trust-charities/>

For U.S. charities, a crisis of trust

<http://www.msnbc.msn.com/id/15753760/>

Americans Give \$291 Billion To Charity In 2010, Up 4 Percent From 2009

http://www.huffingtonpost.com/2011/06/20/americans-charity-donations_n_880484.html

Americans give record \$295B to charity

http://www.usatoday.com/news/nation/2007-06-25-charitable_N.htm

Trust in charities and judges rising internationally

http://www.gfk.com/group/press_information/press_releases/008190/index.en.html

Monitoring Charitable Organizations: Criteria and Assessment Methods

[https://docs.google.com/viewer?a=v&q=cache:wNbLirOei1QJ:www.minefi.gouv.fr/fonds_documentaire/TRESOR/cicid/atelier/contrib/31.pdf+A+German+survey+showed+that+a+seal-of-approval+issued+by+the+Deutsches+Zentralinstitut+f%C3%BCr+Soziale+Fragen+\(DZI\)+is+regarded+six+times+more+important+by+donors+than+testimonials+from+VIPs.&hl=sv&gl=se&pid=bl&srcid=ADGEEShgYb3S0NL5jIELVeWRcMlzLssQPX1sq1_tkzaRDPSr5UQHSzrO3demPWQOk04IgmYQ-Khwyzv2TjULnW3LKHVYYKO5a9RKBffTU5OCQDfblN6PPuQosMu4Y8v2F1PpW4PsiH&sig=AHIEtbQaL3bjnJZznKLc18kBTfPXPhdDgw](https://docs.google.com/viewer?a=v&q=cache:wNbLirOei1QJ:www.minefi.gouv.fr/fonds_documentaire/TRESOR/cicid/atelier/contrib/31.pdf+A+German+survey+showed+that+a+seal-of-approval+issued+by+the+Deutsches+Zentralinstitut+f%C3%BCr+Soziale+Fragen+(DZI)+is+regarded+six+times+more+important+by+donors+than+testimonials+from+VIPs.&hl=sv&gl=se&pid=bl&srcid=ADGEEShgYb3S0NL5jIELVeWRcMlzLssQPX1sq1_tkzaRDPSr5UQHSzrO3demPWQOk04IgmYQ-Khwyzv2TjULnW3LKHVYYKO5a9RKBffTU5OCQDfblN6PPuQosMu4Y8v2F1PpW4PsiH&sig=AHIEtbQaL3bjnJZznKLc18kBTfPXPhdDgw)

http://www.minefi.gouv.fr/fonds_documentaire/TRESOR/cicid/atelier/contrib/31.pdf

The economic performance of charities in Germany

http://espe.conference-services.net/resources/321/1533/pdf/ESPE2009_0041_paper.pdf

Germans donate less money on average than other Europeans

http://www.finchannel.com/news_flash/Corporate_Social_Responsibility/89266_Germans_donate_less_money_on_average_than_other_Europeans/

An Online Scandal Underscores Chinese Distrust of State Charities

<http://www.nytimes.com/2011/07/04/world/asia/04china.html>



Russia's vulnerable need sweet charity from philanthropy

<http://www.telegraph.co.uk/sponsored/russianow/5194435/Russias-vulnerable-need-sweet-charity-from-philanthropy.html>

Public trust and confidence in charities – research study conducted by Ipsos MORI on behalf of the Charity Commission

http://www.charitycommission.gov.uk/Library/about_us/ptc_survey_2010.PDF

Cuomo Orders Review of Nonprofit Compensation; Part 2

<http://outcomestoolbox.com/archives/2011/cuomo-orders-review-of-nonprofit-compensation-part-2/>

Chinese civilian NGOs seek charity legislation

http://news.xinhuanet.com/english2010/video/2011-08/02/c_131024160.htm

Regulation has positive impact, says survey

<http://www.oscr.org.uk/news-and-events/latest-news/regulation-has-positive-impact,-says-survey/>

Trust in charities

<http://www.3s4.org.uk/drivers/trust-in-charities>

Trust in charities – China

<http://china.globaltimes.cn/society/2011-04/646502.html>

Australian Charities Ignoring High Value Donors

<http://www.probonoaustralia.com.au/news/2011/07/australian-charities-ignoring-high-value-donors>

What is Trust? (Definition from changingminds.org)

http://changingminds.org/explanations/trust/what_is_trust.htm

Trust and Performance Management in Non-Profit Organizations

<http://www.innovation.cc/scholarly-style/greiling9final1draft.pdf>

Donors desert RCSC

http://www.china.org.cn/opinion/2011-08/05/content_23147355.htm

Charitable giving in short supply in Mexico

http://www.washingtonpost.com/world/charitable-giving-in-short-supply-in-mexico/2011/08/09/gIQAkJ3dDJ_story.html

Red Cross controversy threatens China philanthropy

<http://www.france24.com/en/20110706-red-cross-controversy-threatens-china-philanthropy>

Trust: The Currency of Civil Society

<http://trust.guidestar.org/2009/07/10/trust-the-currency-of-civil-society/>

Istanbul Principles for CSO Development Effectiveness adopted

<http://www.betteraid.org/en/news/aid-and-development/390-istanbul-principles-for-cso-development-effectiveness-adepted.html>

ICNL NGO Law Monitor Russia

<http://www.icnl.org/knowledge/ngolawmonitor/russia.htm>

Council on Foundations – Country information Mexico

<http://www.usig.org/countryinfo/mexico.asp>



From Charity to Solidarity (Philanthropy In Mexico)

<http://www.drclas.harvard.edu/revista/articles/view/12>

Philanthropy in Mexico Falls Short

<http://foundationcenter.org/pnd/news/story.jhtml?id=35000029>

Trust Accreditation and Philanthropy in the Netherlands

http://docs.google.com/viewer?a=v&q=cache:nexkxUCeI4EJ:ics.uda.ub.rug.nl/FILES/root/Articles/2003/BekkersRHFP/BekkersRHFP-2003-p596.pdf+%E2%80%9CTrust+Accreditation+and+Philanthropy+in+the+Netherlands%E2%80%9D&hl=sv&gl=se&pid=bl&srcid=ADGEEsGwNf4_z11W88oL7DyeHWb8thouSuxsq6fbTV99Zole22GJVluCTtZgVdc_rg1cRwDZM1vELK5eJTaEs0eKbtIcb5D7sPA_IffRN3lq0582GICl35gmaXMo1iTjSiRig52QX9UE&sig=AHIEtbSfrM5Y-vv_9HPCE2l2LFW8sem6g

NSGVP motivations and barriers to giving

[http://docs.google.com/viewer?a=v&q=cache:keXz2l41h0J:www.givingandvolunteering.ca/files/giving/en/factsheets/motivations_and_barriers_to_donating.pdf+Among+non-donors,+a+majority+\(52%25\)+of+those+aged+55+to+64+said+that+they+did+not+donate+more+because+they+believed+that+their+donation+would+not+be+used+efficiently.&hl=sv&gl=se&pid=bl&srcid=ADGEEsGczQ6gspOI63IOTYVWwBw9ck5h1gH3QRdRI3PNsRiCoQ-w-wf4ndPP7RBikWDdgkAh18qBN_Na2b1OfwfST7YLCpnlvOWvSM4nc4dIGxCM5g9A3fzeGtt8g6sMeNfKTz4TEeDd&sig=AHIEtbRtclBRIM9vhA3kLPA11-8WKXhFlw](http://docs.google.com/viewer?a=v&q=cache:keXz2l41h0J:www.givingandvolunteering.ca/files/giving/en/factsheets/motivations_and_barriers_to_donating.pdf+Among+non-donors,+a+majority+(52%25)+of+those+aged+55+to+64+said+that+they+did+not+donate+more+because+they+believed+that+their+donation+would+not+be+used+efficiently.&hl=sv&gl=se&pid=bl&srcid=ADGEEsGczQ6gspOI63IOTYVWwBw9ck5h1gH3QRdRI3PNsRiCoQ-w-wf4ndPP7RBikWDdgkAh18qBN_Na2b1OfwfST7YLCpnlvOWvSM4nc4dIGxCM5g9A3fzeGtt8g6sMeNfKTz4TEeDd&sig=AHIEtbRtclBRIM9vhA3kLPA11-8WKXhFlw)

The economic performance of charities in Germany

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Prompted to be good: The impact of certification on the quality of charities

http://docs.google.com/viewer?a=v&q=cache:KXSrfXeB6nQJ:www.cerge-ei.cz/pdf/wp/Wp320.pdf+%E2%80%9CThe+Impact+of+Certification+on+the+Quality+of+Charities%E2%80%9D.&hl=sv&gl=se&pid=bl&srcid=ADGEEsGDb-mwdiAE5-Ed73B8eQMrKhbi0V0VvcVxo2XO9NH6JROJAmetBypwGACo-Jf6CfjFujPbSuJurd_u7P0ivxwj3WxRsWij4NzBx0EFLgv_tj2T5E9PnECp852_KhhyRX1tZB7Z&sig=AHIEtbTqgXTnpF3G6h9Ightl60P1tyJ8UQ

A paradoxal generosity: Resolving the puzzle of community philanthropy in Mexico

Essay written by Michael D. Layton

TRUST BUILDING MEASURES

Paris Declaration on Aid Effectiveness

www.oecd.org/dataoecd/11/41/34428351.pdf

Accra Agenda For Action

https://docs.google.com/viewer?a=v&q=cache:lkF_T5rLxAWJ:siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217425866038/AAA-4-SEPTEMBER-FINAL-16h00.pdf+Accra+Agenda+For+Action&hl=sv&gl=se&pid=bl&srcid=ADGEEsJeyY7CPkzVmBZUwO-A0-7KKqgoZ-FE0u5VPpIUpfM3yxsdxmkTQQi-spWR9hyJQemr-



[ADhFUDWksI7tNHvyvEbScQxyxra8KIAkzW_ZZ9kpV3Y4A2vU-ix91LiLtLk7PP-Foz&sig=AHIEtbQNxUeQGvE9-6EkHKP_Thc1fykj1Q](https://www.charitystar.org/ADhFUDWksI7tNHvyvEbScQxyxra8KIAkzW_ZZ9kpV3Y4A2vU-ix91LiLtLk7PP-Foz&sig=AHIEtbQNxUeQGvE9-6EkHKP_Thc1fykj1Q)

INGO Accountability Charter

www.ingoaccountabilitycharter.org

ICFO

www.icfo.de

Open Forum for CSO Development

www.cso-effectiveness.org/IMG/pdf/final_framework_for_cso_dev_eff_07_2011-3.pdf

Istanbul CSO Development Effectiveness Principles

www.cso-effectiveness.org/IMG/pdf/final_istanbul_cso_development_effectiveness_principles_footnote.pdf

The Philippine Council for NGO Certification (PCNC)

www.pcnc.com.ph

Cooperation Committee For Cambodia (CCC)

<http://www.ccc-cambodia.org/ccc-project/gppproject.html>

Charity Navigator

<http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=1093>

Guidestar

<http://www2.guidestar.org/rxg/about-us/index.aspx>

CONTACT

Charity Star

Roslagsgatan 34A

113 55 Stockholm

+46 (8) 559 257 71

info@charitystar.org

www.charitystar.org