

Choosing a giving vehicle

Donors have access to a wide range of options for making charitable gifts. Which approach is best for meeting your philanthropic goals?



Introduction

Philanthropists today face a multitude of choices in how and where they give. Some may choose to donate directly; some wish to build family foundations, while others opt to give through managed funds. Like many other aspects of philanthropy, the question of which giving vehicle you choose is an intensely personal one – and for newer funders, the breadth of options can be bewildering.

In this guide, we'll navigate some common vehicles for philanthropy, how they work and their benefits, and important strategic considerations to bear in mind when making your decision.

As we consider these options, remember there is no right way to give and not all philanthropy must be 'strategic'. Your giving vehicle is a tool to advance your vision and maximise your impact, and will be specific to your values and circumstances. As these evolve, so too might your structural mix.

Please note: this guide is not intended to replace individual professional or legal advice, but instead offers an overview of the structures available to GCC-based funders.

Before you consider how you wish to give, it is important to explore why and where you wish to give. We recommend working through a series of questions, either individually or with your family or advisors, to bring clarity to your aspirations and motivations. We have listed some questions below that will help inform what – and where – you choose to set up.



Types of vehicles

Beyond direct donations and writing cheques, there exists a range of charitable vehicles that can be used to help meet your giving goals. Below, we've provided an overview of some of the most common, available to GCC funders and their families.

1. PRIVATE FOUNDATION

A foundation is a catch-all term for an organisation used to make grants with a charitable purpose. Private foundations are set up and funded by individuals, families, or corporate groups. Foundations can engage in direct donations, grantmaking, investments and scholarships, and can also deliver their own programmes and activities. A foundation is typically governed by a board appointed by the main donor(s) and can be registered in a variety of jurisdictions.

Private foundations allow donors to keep control of their giving decisions, and can act as a platform to promote their chosen causes or interests. They can also exist in perpetuity, if desired, creating an enduring family or corporate legacy, or be spent down over an agreed period of time. (See 'Sunset clauses.')

Administrative and operating costs, however, can be expensive, and the process of establishment lengthy.

Examples of foundations operating in the region include the UAE's Abdulla Al Ghurair Foundation for Education (AGFE) and the Sawiris Foundation for Social Development (SFSD) in Egypt.

2. DONOR ADVISED FUNDS (DAFS)

A Donor Advised Fund (DAF) is a philanthropic fund established under the umbrella of a charity that administers donations on behalf of a donor. They are popular in the US and UK where contributions made to DAFs receive immediate tax benefits, and can be an easy, hands-off way for families and individuals to give.

DAFs are quick to set up and require limited paperwork compared to foundations. Moreover, because DAFs are run on behalf of a donor - including investment management, reporting, tax receipts and grant administration - there is no need to hire dedicated staff, open a foundation office, or appoint a board. This can make DAFs a more cost-effective way to give, though there are fees associated with their management. It is also important to remember that once an asset transfer is made to a DAF, it cannot be reversed because it becomes the property of your elected DAF sponsor.

An oft-cited advantage of a DAF is that fund managers do all the grant-related due diligence on behalf of the donor and are able to suggest pre-vetted charities, which can be helpful if someone is not sure which organisations to support. It also means donations can be made quickly, for example in a humanitarian crisis. It is also possible to make anonymous donations through a DAF, which may be attractive to some philanthropists in certain circumstances.

However, a DAF is, as its name suggests, only 'donor advised': the sponsoring organisation retains control over how and where donations are made. For more established philanthropists, who like to choose their beneficiaries and follow their progress closely, a DAF may not be the right route. It is also not possible to use a DAF to make grants to individuals or to pay tuition fees.



Types of vehicles (continued)

3. PUBLIC FOUNDATION OR NONPROFIT

A public foundation or public charity is a nonprofit organisation that relies on donations from individuals, governments, corporates and others to fund its operations. They generally run their own programmes, although some may also make grants to other organisations. Nonprofits need to be registered and must operate in accordance with local laws around fundraising, reporting, board membership, and activities. In the GCC, nonprofits are tightly regulated, with strict laws around fundraising and complex licensing rules.

4. COLLABORATIVE GIVING

Instead of setting up an individual vehicle, donors may also consider forming, joining or contributing to a philanthropic collaboration. These vehicles range in size, from informal giving circles among family, friends, and peers to support local initiatives, to more ambitious moonshot-style funds targeting global challenges like climate and gender equality.

Collaborative philanthropy is gaining popularity worldwide, as both funders seek to amplify their impact by acting together, rather than alone. Collaborative giving platforms can, like Donor Advised Funds (DAFs), be a lean way to do philanthropy because administrative resources are pooled to pay for things like due-diligence, grantmaking and impact measurement. This approach, often cause-led (e.g. Gender, health, education) and targeting different countries, is also a good way for funders to broaden their support base and give money to organisations that they may not come across as an individual foundation operating alone. There are however some drawbacks. Giving as a group requires consensus and the legal structures behind collaborative philanthropies can be complicated - and costly - to set up due to the number of different stakeholders involved. An alternative to forming or joining a giving circle is merely to donate to one. Some funds will accept small donations, others will have higher entry points and membership criteria will differ for each collaboration.





COLLABORATIVE GIVING



Giving with a gender lens

One example of a collaborative fund is the US-based Maverick Collective, which was created by the international NGO Population Services International (PSI), in partnership with the Bill & Melinda Gates Foundation. With a focus on women and girls and ending poverty, the fund makes seed investments into global pilot health programmes (run by PSI) to test new approaches and provide evidence of their effectiveness — and if they are successful, then helps to unlock additional funding to bring them to scale. The minimum funding commitment for a Maverick Collective investment is \$1.2m over three years (roughly \$366k annually). Member donors include Sarah Ojeh, co-founder of the Ojeh Family Fund; Kimberly Agnew, a board member of the Agnew Family Foundation; and other professional women from around the world.



Grassroots giving

In India The GROW Fund launched in late-2021 in response to the impact of Covid-19. Anchored by the EdelGive Foundation, The GROW Fund aims to strengthen more than 100 grassroots organisations over a two-year period by providing funding for capacity building and key organisational functions. A number of leading philanthropies have already pledged their support to the initiative, including the Bill and Melinda Gates Foundation, Manan Trust, Rohini Nilekani Philanthropies, A.T.E Chandra Foundation, and Ashish Kacholia.



Disease elimination

The Reaching the Last Mile (RLMF) was launched in 2017 by Sheikh Mohamed bin Zayed, the Crown Prince of Abu Dhabi with support from the Bill and Melinda Gates Foundation and The ELMA Philanthropies. RLMF's mission is to raise \$100m over 10 years to support the elimination of two neglected tropical diseases, river blindness and lymphatic filariasis. In addition to the founding gifts donations, RLMF also raises money from the general public through consumer campaigns and UAE-based corporate donors.

Choosing a jurisdiction

Where you choose to set up your giving vehicle is both a personal and practical decision. Factors that will influence this include where your main assets are held, the countries in which you intend to do your philanthropy, and your attitude towards regulation, transparency, and costs. For example, if you intend to fund and/or run social programmes in a district in India, it may make sense to set up there. Or, if you're looking to set up an operating foundation that will at some point seek external funding from other donors, the UK, with its well-regarded charity regulations, might be a good option. Alternatively, if discretion and tax relief are big priorities for you, then perhaps consider Switzerland. Remember, it is also possible to have a headquarters in one jurisdiction and a branch / local office (for programming) elsewhere.

Setting up in the UAE

The UAE has strict rules regarding charitable activities, which can make the set-up process complicated and time consuming. UAE nationals wishing to set up a charitable organisation can apply online to the Ministry of Community Development, while expatriate residents, excluding those resident in Dubai, must submit their application to the ministry through their respective embassy or consulate in the UAE. The ministry will consider the application and refer it to the cabinet, which takes the final decision on registering the organisation.

In Dubai, it is possible to get a charity licence from the Islamic Affairs and Charitable Activities Department (IACAD), International Humanitarian City, or the Community Development Authority, but it is a lengthy process.

Any fundraising activities require the approval of the General Authority of Islamic Affairs and Endowments at the national level, or the Islamic Affairs & Charitable Activities Department within Dubai. After obtaining approval, fundraising must take place in co-operation with UAE-licensed charity associations, which take a percentage of any money raised.

Another available option is setting up a charitable foundation (or a foundation that has charitable purposes) under trust legislation at either the Dubai International Finance Centre (DIFC) or the RAK International Corporate Centre (ICC). Foundations registered at the Abu Dhabi Global Market (ADGM) cannot undertake charitable purposes.

Having an offshore foundation within a financial free zone in the UAE affords the founder a degree of privacy as there are currently no requirements to report publicly on the entity's activity. It is also a way to combine wealth management and succession planning with philanthropy. There are, however, costs involved with setting up this type of vehicle and if you are using the foundation to distribute funds within the UAE, or to fundraise, you may still be subject to onshore charity licensing regulations.



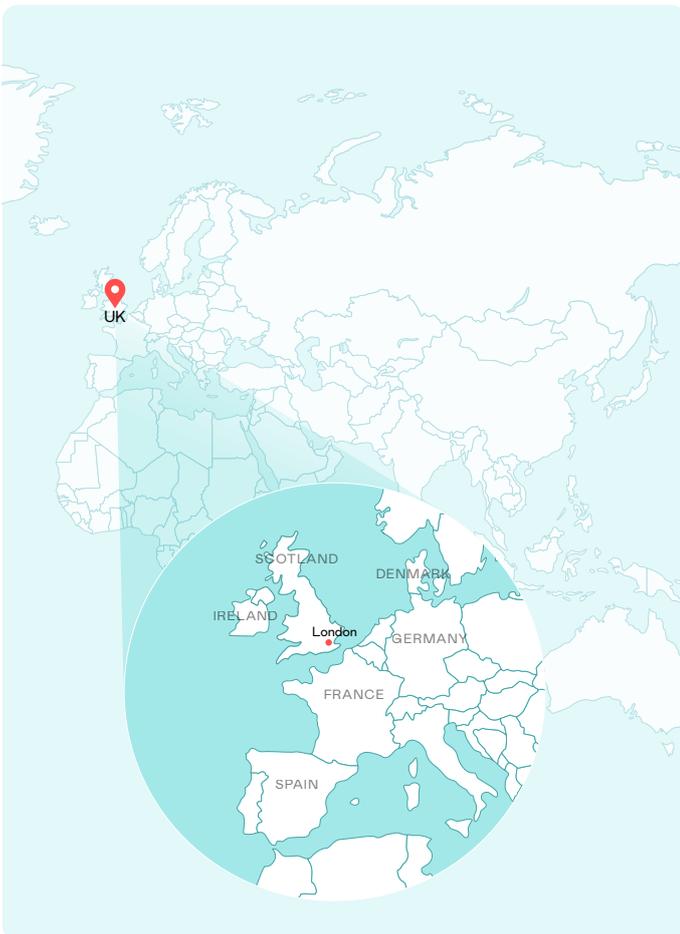
Choosing a jurisdiction (continued)

Setting up in the UK

Anyone can set up a charity in the UK, you do not need to be a resident or have business or assets there. Charities are subject to strict regulations overseen by the Charity Commission For England and Wales, the Office of the Scottish Charity Regulator, or the Charity Commission for Northern Ireland. Some people choose to set up in the UK because the tightly regulated environment offers reputational benefits. However, this must be weighed against the additional time and costs involved. Details about what is required to set up in the UK can be found [here](#).

There are several types of charitable vehicles available in the UK that can support your philanthropy. These include:

- **Charitable trust.** A trust is the traditional way for a group of people to manage assets, such as money, land, and investments, and the people who run the charity and are responsible for its finances are called trustees. Under this structure, the trustees have legal title and the day-to-day activity of the charity is done in their name, rather than of the charity itself. This can be problematic because the trustees can become personally liable for any debts incurred in the course of the charity's business.
- **Charitable company.** This is a company limited by guarantee with special charitable articles and registered with both Companies House and the Charity Commission. As a limited company, the charity will have directors and members, with the directors stated as trustees for the purposes of the Charities Act, but unlike a company, assets can only be used for charitable purposes and all operations must be in the best interests of the charity. A charitable company is liable for its own debts (rather than the individual trustees in a trust). Charitable companies are required to make returns and submit accounts on an annual basis to both Companies House and the Charity Commission, and must also comply with both charity and company law. This is regarded as the most robust vehicle for philanthropic activities, but the reporting requirements can be onerous, and that will increase costs.
- **Charitable incorporated organisation (CIO).** This vehicle is an option if you want your charity to be a corporate body and have a wider membership, with more than just charity trustees being able to vote on issues. As with charitable companies, this structure also requires registration and the filing of annual accounts and returns.
- **Donor Advised Funds (DAFs).** A number of UK-based charities offer DAF services and associated tax benefits. (see above)



Choosing a jurisdiction

(continued)

Setting up in the US

The way nonprofits and foundations are structured in the US is closely linked to how people pay tax, which may not be relevant to GCC-based philanthropists. You do not need US citizenship or residency to open an NGO in America and it is relatively straightforward to incorporate an entity there, but it may be harder to do this from overseas. Cross-border payments can also be difficult from the US.

There are various tiers of foundations, and these include:

- **Company-sponsored foundation.** This is an independent foundation associated with a for-profit corporation. The foundation's funds are derived primarily from that for-profit corporation.
- **Private or independent foundation.** This is a nonprofit organisation with funds and programmes managed by its own trustees or directors. If run by families, it might self-designate as a family foundation.
- **Operating foundation.** This type of foundation may make some grants, but the majority of its funds are used to administer its own programming.
- **Public charity.** This is the name given to 501(c) nonprofit organisations, which derive their funding from the general public in order to carry out their charitable activities. Some public charities engage in grantmaking activities but most engage in direct services.
- **Community foundation.** This is a nonprofit organisation that makes charitable grants for charitable purposes in a specific community or region. Funds are usually derived from multiple donors and held in an independently administered endowment.

Setting up in Switzerland

A global hub with an advanced legal framework for foundations, Switzerland is a popular choice for international families looking to set up philanthropic foundations. The country has the highest concentration of grantmaking foundations (compared to population numbers) globally, and a number of international NGOs and UN agencies have their headquarters there.

Anyone can register a foundation in Switzerland if they have a minimum opening balance of CHF 50,000 (US\$55,000), but there are strict incorporation rules and some administrative costs that need to be met. For example, all foundations are required to join the Swiss Commercial Registry and are subject to controls by local authorities. They must also record details of their activities and produce an annual audited financial report, although there is no requirement to make these public.

This less transparent nature of the Swiss foundation set-up is attractive to people who favour discretion but it does not deliver the reputational uplift of a more open jurisdiction, such as the UK, for example.

As in the US and the UK, Swiss foundations can provide tax benefits to their holders, depending on individual circumstances, although this is not standardised across all 26 federal cantons, and it does not currently extend to cross-border giving. It is also possible to host a Donor Advised Fund (DAF) with a Swiss-based entity.





SUNSET CLAUSES

Some foundations are registered to last for perpetuity, or until the money runs out. That may sound like a good idea at the time of the inauguration, but will the third or fourth generation of your family want to continue with the foundation? Will its mission still be relevant? All these questions and more make the case for inserting sunset clauses into foundations.

Sunset clauses require a foundation to spend down its assets by an assigned date. Donors who adopt this model see it as an opportunity for more focused, near-term giving, and for providing more significant and flexible funding to grant partners.

This was the approach of Chuck Feeney, a US billionaire who, in September 2020, achieved a lifetime ambition: to go broke. At the age of

89, Feeney shuttered Atlantic Philanthropies, the foundation he set up in 1982 and transferred nearly all his wealth to, after it finally ran out of cash.

Over four decades, Feeney, the founder of a duty-free retail empire, donated to charities, universities and foundations with the goal of giving away the bulk of his \$8bn fortune during his lifetime. He described his approach as ‘giving while living’ – choosing to spend your wealth on big, bold philanthropic bets, instead of funding a legacy endowment upon death.

“I see little reason to delay giving when so much good can be achieved through supporting worthwhile causes,” he told a journalist in 2019. “Besides, it’s a lot more fun to give while you live than to give while you’re dead.”



Appendix

This guide provides an overview of the most common type of giving vehicles and looks at a handful of jurisdictions where GCC-based donors may consider setting up. There are other countries and regions you may wish to consider, depending on your circumstances and where you hold your assets. This guide was created with help and guidance from the following individuals.

Alana Petraske, partner (Charities & Philanthropy), Withers WorldWide
Alastair Trowers, partner, Trowers & Hamlins LLP

David Russell, QC, barrister, Outer Temple Chambers

Edward Garrett, head of Private Clients, Charities Aid Foundation (CAF)

Natalie Pinon, director of development, National Philanthropic Trust UK (NPT UK)

Please note: this guide is not intended to be a substitute for bespoke legal advice.

FURTHER READING

- » [Foundation structures in Switzerland](#)
- » [Donor Advised Funds \(DAFs\)](#)
- » [Setting up a charity in the UK](#)



Starting questions

What kind of impact do you want to have and how?

- What are your core philanthropic values and beliefs?
- Are there specific countries, populations or causes you would like to support?
- Will your giving be domestic or international?
- How much time are you willing to donate to this process?

Why do you want to formalise your giving?

- Are you at the start of your philanthropic journey? Or are you ramping up the giving you and your family are already engaged in?
- Will you be giving solo, or in partnership with your family or other parties?
- How public would you like to be in your giving?
- What time horizon do you have in mind for your philanthropy?

How complex will your giving be?

- Do you have a target for how much you wish to donate over a certain period?
- Will you focus on planned donations or gifts? Or do you plan to offer grants, or to launch your own programmes?
- How will you solicit grantee proposals for your funding?
- Will you also fundraise or consider matched funding to support your philanthropy?

Who will manage your philanthropy?

- How much control do you want over your giving?
- Will you hire staff to support your philanthropy, or will you manage it independently?
- How involved would you wish to be on a day-to-day basis?
- Have you considered a board or other independent governing structure for your giving?

What is your approach to costs, transparency and regulatory requirements?

- Do you have a budget to support your giving, and any associated operational costs?
- Are you prepared to spend up to a year, or longer, setting up a foundation?
- Are you prepared to produce annual reports and other filings?
- Do you have tax liabilities in other jurisdictions to consider?
- Where are the majority of your financial assets located?

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