

The Indiana University Lilly Family School of Philanthropy has been conducting the *Global Philanthropy Tracker* study every two years to measure the flow of charitable giving across countries. The Beautiful Foundation became a partner in the project in 2019 to provide information on Korea's cross-border giving.

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For the full report of the 2020 *Global Philanthropy Tracker*, please go to <https://globalindices.iupui.edu/tracker/index.html>

* The data for this report were provided by Korea NGO Council for Overseas Development Cooperation (KCOC) and GuideStar Korea.

Philanthropic donations to the outside of South Korea

1. The cross-border giving environment in South Korea

In 2010, South Korea (hereafter Korea) became a member country of the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD DAC). Although the history of Korea as a donor country can be traced back as far as the 1960s (Choi, 2011), it is claimed that Korea officially became a few countries that successfully transformed itself from an aid-receiving country to a donor country.

After the Korean War in 1953, Korea was one of the major recipient countries from the Official Development Assistant (ODA). From the post-war period until the 1990s, Korea received about US \$12.7 billion from ODA (Choi, 2011). However, as the economic status of Korea strengthened in the late 1980s, Korea became a donor country and created the Korea International Cooperation Agency (KOICA) in 1991. Since then, Korea built up its capacity for international development.

The cross-border giving in Korea have enhanced by both the public and the private sector. Korean government have enacted legal frameworks to stimulate charitable donations (e.g., the KOICA Law of 1991, the Act on Collection and Use of Donations of 2006, the Use of Donation and Corporate Tax Act). Simultaneously, philanthropic giving for international aids have increased during the last decades. In 2007, 9.5% of Korean donors made the cross-border giving (Kang et al., 2011), became 31.1% in 2018 (Beautiful Foundation, 2018).

2. The regulatory environment for cross border giving in South Korea

Based on the Inheritance Tax and Gift Tax Act, and its enforcement rules, the registered public interest corporations¹ in Korea with assets of KRW 500 million (USD 420,000) or with incomes of KRW 300 million (USD 252,000) or more are required to report accounting information to IRS with the IRS Disclosure Form. The public interest corporations should report the basic accounting information such as the foundation of establishment, the field of support, the status of assets, revenue, and expenses. In 2017, 34,426 public interest corporations were registered (Kim & Jung, 2019), and 15,910 public interest corporations were mandatorily required to report the IRS Disclosure Form. Finally, 52% of the public interest corporations that request to report (8,276 out of 15,910) filed the IRS Disclosure Form. Among the filed corporations, only 5.4% of the organization (450 out of 8,276) participated in cross-border giving in 2017².

Under the Inheritance Tax and Gift Tax Act in Korea, individuals and corporations can send contributions directly to philanthropic organizations located outside of Korea. However, the contributions are not considered as the tax-deductible charity and should pay the gift tax by the Act. Therefore, Korean companies and individuals, in general, tend to donate for international aids through the registered nonprofit organizations, foundations, or any type of tax-exempt organizations.

3. Information on cross-border giving in South Korea, including the amounts, sources, and uses of domestic philanthropic contributions

In 2017, Korea (hereafter Korea) approximately amounted a total of KRW 1.41 trillion (USD 1.17 billion) for cross-border giving to at least 96 countries across the world. The estimates were gauged based on the two cross-border giving resources in Korea: Korea NGO Council for Overseas Development Cooperation (KCOS)'s CSO Statistics Handbook, and the National Tax Service (NTS) annual report.

According to the recent published KCOS's handbook in 2017, 144 Korean nonprofit organizations amounted KRW 451.52 billion (USD 374.74 million) for cross-border giving to 96 countries in 2017. In addition, the National Tax Service (NTS) reported that KRW 962.1 billion (USD 798.50 million) were donated for cross-border giving from the 355 nonprofits, excluding the 95 duplicated organizations in the KCOC handbook. In total, at least 499 Korean nonprofit organizations donated approximately KRW 1.41 trillion (USD 1.25 billion) for cross-border giving in 2017.

Additionally, corporates in Korea participated in the cross-border donations as part of the corporate social responsibility (CSR) activities. According to the 2018 Corporate Social Responsibility Whitepaper, in total, KRW 2.7 trillion (USD 2.3 billion) amounted for CSR in 2017. Only 1.9% of the estimated total amount of CSR, which was KRW 51.3 billion (USD 43.2 million), was directed for international causes in 2017. Only the small percentage of total CSR made up for the international aids because of the legal restrictions.

The following specificities of Korean cross-border giving were reported based on the 2017 KCOC handbook³. According to the handbook, private philanthropic donations was the largest

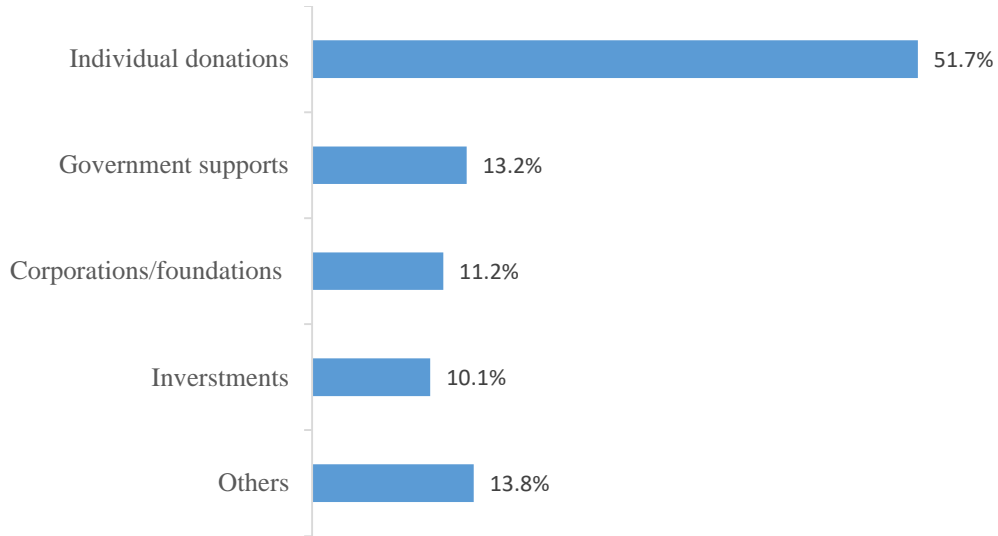
¹ Public Interest Corporation is an incorporated tax-exempt organization in Korea. All of the tax-exempt organizations should be qualified the requirements for public interest corporation (Kim & Jung, 2019).

² *GuideStar Korea* provided the cross-border giving information based on NTS database.

³ NTS data only provide a total amount of cross-border giving from a nonprofit.

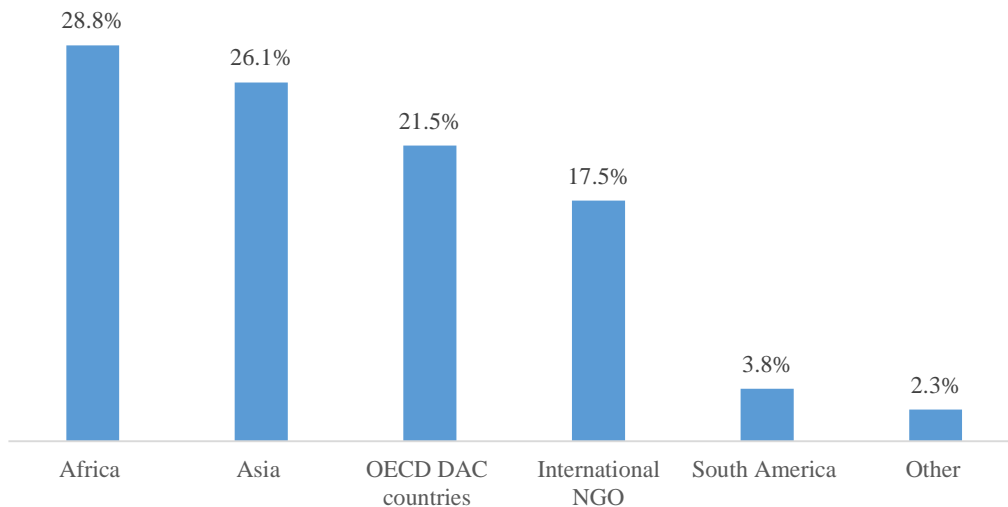
contribution source for the cross-border giving (51.7% of the total incomes), followed by the government supports (13.2%), corporations and foundation (11.2%), investments (10.1%), and others (13.8%).

[Figure 1] The resources of the cross-border giving in Korea



Ninety-six countries received charitable giving from the Korean nonprofits in 2017. Africa was the largest amount recipient continent (36 countries, 28.8%), followed by Asia (21 countries, 26.1%), OECD DAC countries (7 countries, 21.5%)⁴, International NGOs⁵ (60 NGOs, 17.5%), South America (16 countries, 3.8%), and others (16 countries, 2.3%).

[Figure 2] Percentage of total amount of the cross-border gifts by recipients

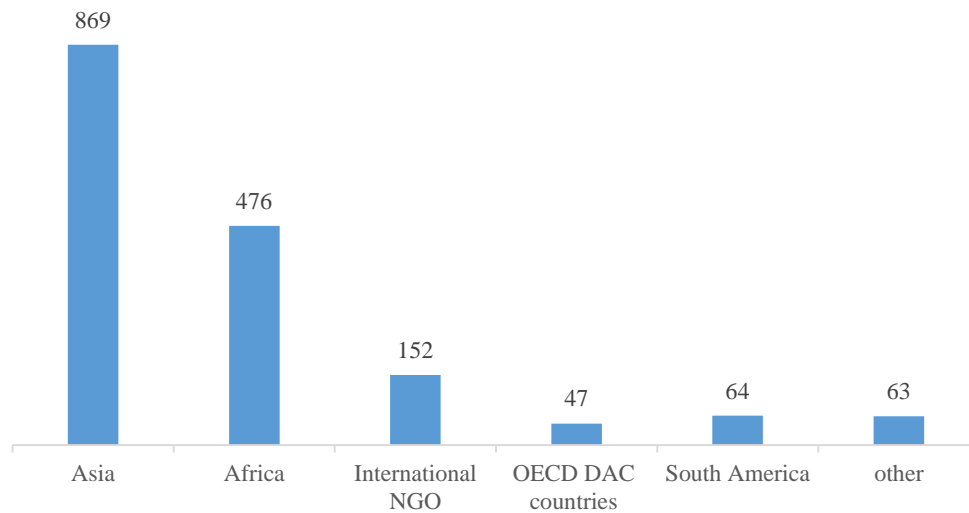


⁴ OECD DAC countries include Greece, America (including Puerto Rico), Switzerland, Japan, Israel, Italy.

⁵ International NGOs include United Nations Economic and Social Council (ECOSOC), UN Department of Public Information (DPI), UNIEF, etc.

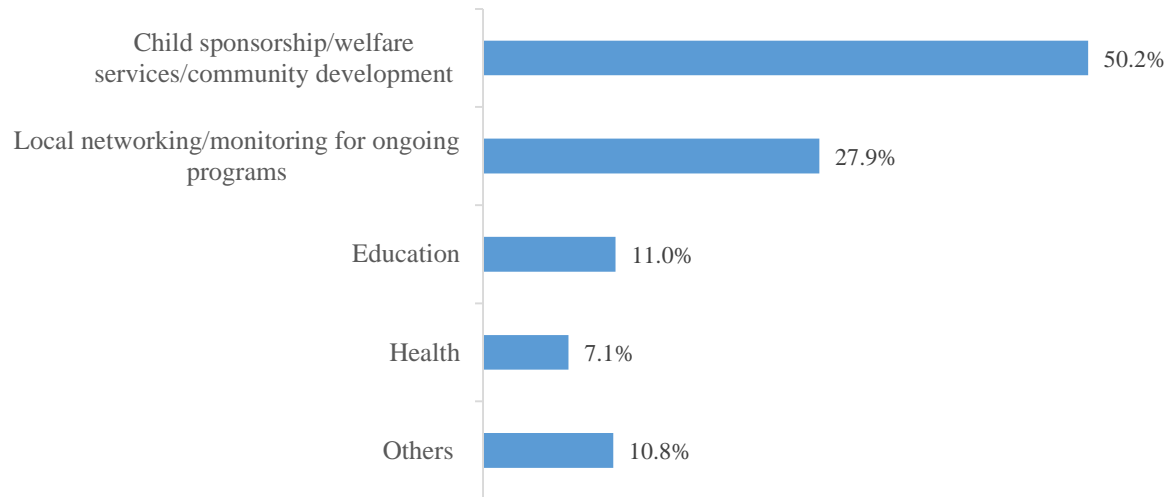
Besides, Asia has the largest number of overseas projects from Korean nonprofits. One hundred twenty-six organizations for 869 projects in Asia received the cross-border giving from Korea in 2017 (52.0%), followed by the African nonprofits (476 projects for 69 organizations, 28.5%), International NGOs (152 projects for 60 NGOs, 9.2%), OECD DAC countries (47 projects for 21 organizations, 3.8%), South America (64 projects for 21 organizations, 3.8%), and others (63 projects, 3.8%). Nearly twice more numbers of the Asian nonprofits received cross-border giving from Korea than the African nonprofits (126 vs. 69 org.), but African nonprofits obtained almost similar amount of the gifts from Korea because the grant size per project to the African nonprofits was larger than the Asian nonprofits.

[Figure 3] Number of projects that received the cross-border gifts by resign



For the gift size by nation, among the top 10 countries, Vietnam received the largest amount of gift from Korea (KRW 21.4 billion, USD 18 million, for 115 projects, 4.2% of total amount), followed by Ethiopia (2.8% of total amount), and Bangladesh (3.1% of total amount). Three Asian countries and four African countries were in the top 10 countries. In addition, the Korean nonprofits provided the cross-border gifts for multiple purposes. Especially Korean nonprofits aimed their donations for child supports and social services. Nearly forty-three percent of the total amount of cross-border giving granted for child sponsorship programs, social welfare services, and community development programs (43.2%) in 2017.

[Figure 4] Purpose of the cross-border giving



4. Information on cross-border volunteering in South Korea

The level of international volunteering from Korea also reported in the KCOC handbook. In 2017, 4,226 people participated in international volunteer works. According to the KCOC handbook, ninety-two Korean nonprofits recruited and deployed the trained volunteers in 67 countries in 2017. The majority of the volunteers was deployed to Asian countries (81.1%), followed by Africa (12.0%), Middle East (2.8%), Latin America (1.6%), Europe (1.4%), and other countries (1.1%).

The largest number of the volunteers was deployed to Vietnam (12.3% of total volunteers), followed by Cambodia (10.6%) and Laos (8.9%). All top 10 countries that had the most volunteers were all Asian countries, with 70.6% of all volunteers.

A large volumes of oversee volunteering have engaged by religious organizations during the last several decades in Korea. Unfortunately, there is no available public and private information to gauge the size and dimensions of cross-border volunteering by religious organizations.

5. New forms of cross-border philanthropy

Under the Inheritance Tax and Gift Tax Act in Korea, the cross-border giving is somewhat restricted in terms of gift tax and inability of tax deduction. However, private donations for international aids have enforced by the nonprofit organizations, especially by the religious organizations in S. Korea. We believe a sizeable cross-border giving have made by the religious organizations, but no public report is eligible to assess the cross-border giving by the religious organizations.

In addition, donation based crowdfunding has grown as a new form of cross-border giving in Korea. Since the Financial Investment Services and Capital Markets Act of 2017, donations through crowdfunding has been popular in Korea (Park & Lee, 2016). For example, in 2011, Koreans donated approximately KRW 588 million (USD 488 thousand) for 2011 Japan earthquake and tsunami within five month (Kang et al., 2011) and a significant amount of gifts was donated through crowdfunding platform.

6. Key recommendations to improve the environment for cross-border philanthropic giving

As an emerging donor country for international development, Korea has steadily increased the cross-border giving (Choi, 2011). However, Korea should cope with several challenges if Korea improves the environment for cross-border giving.

First, legal frameworks to support direct donation to the international community should be enhanced to enforce cross-border giving. Under the current laws, direct donation to overseas is discouraged due to limited tax-deduction and engaging in gift tax. Second, the fragmented institutional arrangement of cross-border giving is one of the causes of distraction for cross-border giving in Korea. Multiple institutions that are somewhat inadequate capacity and insufficient transparent agencies are involved in cross-border giving and are a cause of cross-border giving scandals in Korea. Lastly, a lack of research for cross-border giving is associated with underestimation of cross-border giving in Korea. Numerous religious organizations in Korea have a long-term history of generosity culture for cross-border giving in Korea, however none of official information is available to gauge the religious organizations' efforts for the cross-border giving. A unified system to measure the cross-border giving by religious organizations is benefit to estimate overall size of the cross-border giving in Korea.

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