

VU Research Portal

The benefits of accreditation clubs for fundraising nonprofits

Bekkers, R.H.F.P.

published in

Voluntary Regulation of NGOs and Nonprofits: An Accountability Club Framework
2010

[Link to publication in VU Research Portal](#)

citation for published version (APA)

Bekkers, R. H. F. P. (2010). The benefits of accreditation clubs for fundraising nonprofits. In M. K. Gugerty, & A. Prakash (Eds.), *Voluntary Regulation of NGOs and Nonprofits: An Accountability Club Framework* (pp. 253-279). Cambridge University Press.

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

E-mail address:

vuresearchportal.ub@vu.nl

11 The benefits of accreditation clubs for fundraising nonprofits

René Bekkers

How can fundraising organizations signal trustworthiness to prospective donors? One way to do this is by conforming to standards of excellence and allowing a trusted, independent agency to monitor the organization with regard to these standards. The Central Bureau of Fundraising (CBF) in the Netherlands is an example of a club running such an accountability program. This chapter empirically investigates whether (1) awareness of the accountability program among donors increases donations by households; and (2) fundraising organizations that participate in the accountability program attract more donations than organizations that do not. To help understand the context in which the program operates, I will first briefly describe the regulation of fundraising in the Netherlands.

In contrast to the US context of many of the chapters in this volume, in the Netherlands the regulation of nonprofits can be described as a combination of few legal requirements, little government involvement, some self-regulation, and independent monitoring by a third party. The focus of the regulation that does exist is on fundraising practices. Nonprofit organizations that want to claim tax-exemption status have to register with the tax authorities, but are not required to submit audited financial statements or elaborate reports to obtain the status. To raise money in a door-to-door collection or in town, a permit from the municipality in which the collection is planned is required. Door-to-door collection is still a very common method of raising funds in the Netherlands. Such fundraising is done by unpaid volunteers for large, national fundraising organizations.

Previous versions of this chapter were presented at the 6th Workshop on the Challenges of Managing the Third Sector, March 12–13, 2007, in Venice; at the 35th Annual Conference of the Association for Research on Nonprofit and Voluntary Action, November 16–18, 2006, in Chicago; and at the Workshop on Certification Systems for Nonprofit Organizations, May 23–24, 2005, in Prague. I thank the Central Bureau of Fundraising for making available the data on income and expenses of fundraising organizations, and I thank Ad Graaman in particular for clarifications and additions to the database. I am also indebted to the editors, Richard Steinberg, Andreas Ortmann, Katarína Svítková, Dennis Young, Woods Bowman, Eddy Bekkers, Adri Kemps, and Ad Graaman who provided helpful comments on previous versions of this chapter. I thank Merel Ooms for research assistance.

About one in five volunteers in the Netherlands is active in raising funds (Bekkers, 2005). However, for national fundraising campaigns conducted via ordinary direct mail, email, or telephone no such requirements exist. National law prohibits selling or sharing of noopt-in address lists between and/or among fundraising organizations and marketing agencies. Marketing agencies that are members of the Dutch Direct Marketing Association generally conform to the rule that they will not approach persons who have registered with Infofilter, a national database of “Don’t call/mail me” addresses. Membership of the DDMA, however, is voluntary. Nonmembers do not have to conform to the “Don’t call me” rule. Despite this liberal treatment of fundraising by nonprofit organizations, very few cases of fraud, abuse of funds, and other irregularities have been documented in the past decades. Such cases have involved only relatively small organizations.¹

The relative absence of irregularities may be due to some extent to the accountability program run by the CBF. I briefly describe the program here. More details on the program are given in a previous study (Bekkers, 2003) and on the organization’s website.² The CBF is an independent nongovernmental organization.³ The CBF has no members and like many European accreditation programs, it receives a substantial public subsidy and relies on this income as well as income from fees for its revenue base (Wilke, 2003). The CBF develops standards for excellence, evaluates nonprofits on the basis of those standards, and issues a “seal of approval” to national fundraising organizations that have existed for at least three years and that meet the standards.⁴ The standards include rules on board structure, the provision of financial statements issued by an external accountant, transparency to donors, complaint procedures, and a ceiling

¹ One of the few exceptions is the October 2007 case in which a volunteer for KWF Kankerbestrijding – a health charity fighting cancer and the largest fundraising nonprofit organization in the country – stole €15,000 from the door-to-door collection funds she helped to raise.

² See www.cbf.nl/Home/uk.php for more information.

³ This has not always been the case. The CBF was established in 1925 as an office coordinating local fundraising activities of national fundraising organizations. The fifty-two weeks of the year were assigned to the major fundraising organizations such that citizens were not facing two collections for different organizations in the same week. The system still exists, but is managed by a different organization. It should also be noted that two members of the board represent the branch organization of fundraising organizations (VFI). One member represents the government (Department of Justice), three members represent the municipalities, and three members are not representing any institution or organization.

⁴ Since its introduction in 1997, the CBF seal has been issued to 271 fundraising organizations. An additional 59 organizations have a “verklaring van geen bezwaar,” which is issued to smaller fundraising organizations that are on their way to meet the same standards. These organizations are not considered as accredited fundraising organizations.

for fundraising costs (25 percent of fundraising income), among other things.⁵ Recently, additional standards have been formulated as part of the evaluation procedure. These club standards go far beyond the legal requirements for fundraising organizations sketched above. The club standards are also much more stringent than those adopted by the national and state nonprofit associations (respectively) discussed in chapters 4 and 5 by Tschirhart and Young elsewhere in this volume.

Meeting the CBF club standards involves nontrivial costs.⁶ The evaluation procedure requires a substantial time investment of the CEO and financial director to answer questions about the organization's activities, management, and expenses. In addition to the labor costs required to complete the procedure, nonprofit organizations pay fees. There is a fixed fee for the first evaluation procedure (€4,360) as well as a variable annual fee for the right to bear the seal, depending on fundraising income (ranging from €3,000 to €7,000). The accreditation is valid for five years. After this period, the organization has to complete the procedure again in order to retain the accreditation. The reevaluation procedure costs €2,195. The CBF evaluates the information provided and decides about accreditation.

The club has two main swords against failure to conform to the standards: press releases and, ultimately, withholding the seal. In the period 1994–2004, none of the accredited organizations was evicted or left the program voluntarily. In recent years, however, one international development organization with a religious background has left the program voluntarily, and three organizations were withheld the seal owing to irregularities and/or incapacity to produce the required information.

Because the procedure is costly and intensive, it is unlikely that organizations that have something to hide will enter and successfully complete the evaluation procedure. Though it is impossible to check, it is likely that the costs associated with accreditation limit entry of “bad apples” to the Dutch fundraising market. For these reasons, consumers can be expected

⁵ The accreditation seal is not a trademark, nor is it strongly protected by law. Although the law does not prohibit fundraising organizations that do not abide by the standards of the CBF from bearing the seal, this has not occurred in practice. It is also very unlikely to happen because such organizations would be easily detected by the media, the Dutch donor association, the consumer association, and/or the CBF itself. The only legal arrangement concerning the seal is that the major national charitable lotteries cannot benefit organizations that are not accredited.

⁶ As a purely anecdotal note: when I presented a previous version of this chapter in 2006 to an audience of fundraising directors, the representative of Greenpeace questioned the net benefit of the seal because of the “enormous amount of effort” required to complete the evaluation procedure. Several representatives of smaller organizations identified the effort required as a reason not to apply, despite the expected increase in fundraising income.

to be fairly confident that accredited organizations do not violate the standards set by the system.⁷

Another strength of the system is that the CBF is an independent nonprofit organization. Thus, donors are less likely to doubt the accreditation seal than information provided solely by fundraising organizations.⁸ Results from a poll survey held in November 2005 among Dutch consumers revealed that 78 percent had “sufficient” or more confidence in the CBF, while 71 percent reported such confidence in national fundraising nonprofit organizations and only 49 percent said they had at least sufficient confidence in government (Zalpha van Berkel and WWAV, 2005). In September 2008, these figures were 77 percent, 68 percent, and 50 percent, respectively (WWAV, 2008).

Because the club standards are rather stringent, the signal that the accreditation seal sends out is credible. The purpose of the system according to the CBF is to enable donors to make more informed decisions. In other words, the accountability program reduces the asymmetry of information that donors face in their decisionmaking on charitable giving, viewing donors as the key principals the club is designed to serve. In terms of the club perspective, the CBF is a strong club. Club membership gives members a branding benefit – the right to use the seal in fundraising campaigns. The seal is a club good: it is a nonrival benefit for members, excludable for nonmembers. This does not imply that the benefits of accreditation accrue only to those who decide to join the program. Organizations that free-ride may benefit as well.

The trust problem in philanthropy

The effectiveness and efficiency of the services provided by nonprofit organizations are important factors in the eyes of donors when thinking about donations (Arumi *et al.*, 2005). However, donors face a high level of uncertainty about whether a nonprofit organization is effective and efficient

⁷ This is not to say that accredited organizations make no mistakes, or work 100 percent effectively. Accreditation also does not guarantee that the organization abides by desirable standards that are not part of the accountability program. For instance, the public desires that fundraising managers and CEOs earn lower salaries than persons in comparable for-profit firms. However, there are no limits on salaries in the CBF standards.

⁸ Ultimately, the CBF relies on reports provided by fundraising organizations themselves because the financial statements approved by external accountants are produced by accountants who are working for these organizations. Accountants would endanger their own reputation by approving financial statements that are grossly incorrect. However, as the Enron case shows, this is not a 100 percent guarantee against misrepresentations or fraud. Accountants may bend the rules for accounting in cooperation with the fundraising organizations that they work for (Wing and Hager, 2004).

because nonprofit organizations often provide services of which the quality is difficult to observe and evaluate. The introductory chapter of this volume outlines this problem of asymmetry of information. In the absence of accurate information about an organization's output, donors have to rely on their personal impressions of the trustworthiness of fundraising organizations. In many cases, donors are not recipients of services provided by nonprofit organizations, and donors and recipients of nonprofit organizations do not know each other personally. International development organizations or environmental and wildlife organizations are good examples of nonprofit organizations that provide services primarily to nondonors. In addition, they also work in distant areas. For decisions about donations to such organizations, the problem of uncertainty is most pressing. How can donors decide whether their contribution makes a difference? How can they know where their contribution is used most effectively? Donors want information about the nonprofit's mission, activities, overhead, and fundraising costs, and form an impression of an organization's efficiency using this information (Parsons, 2003), even though financial information is not necessarily indicative of quality (Steinberg, 1986).

Two problems with information about fundraising organizations reduce the likelihood that donors will put their charitable impulse into action: costs and credibility. The first problem is that for many donors, the search costs involved in the acquisition of such information are too high. Even in the USA, where information about fundraising organizations is publicly available through the internet (at www.guidestar.org) only a fraction of donors actively search for this information and use it (Arumi *et al.*, 2005). Guidestar is not used by the majority of donors because gathering and interpreting the information is costly. Donors have to spend time on the internet obtaining the data, and they have to interpret and evaluate the data. This task is a difficult one that requires cognitive resources and time. Donors have to incur costs to "give wisely." Most donors are not prepared to incur these costs.

The second problem is that of credibility. How can donors be sure that the information they receive from fundraising organizations is accurate? The problem of credibility is a second reason why Guidestar is not often used. Guidestar is based on data provided by the nonprofit organizations themselves through the Form 990 that 501(c) organizations provide to the IRS in order to obtain tax-exempt status. Because the IRS has very few personnel to check the information provided, donors must rely on their personal impression about the organization. They cannot be sure that the data are accurate (Bowman and Bies, 2005). In contrast, donors in the Netherlands can be fairly confident that the data provided by fundraising organizations to the CBF are accurate.

The fundraising problem

From the perspective of nonprofit organizations that are trying to raise funds, the credibility problem emerges in a different light. For individual nonprofit organizations, the problem is how they can persuade donors of their trustworthiness. From the agency perspective, nonprofits must persuade donors that they are “accountable,” meaning that they will do their best to fulfill donor wishes. Svitková and Ortmann (2006) call this the “fundraising problem.” If fundraising organizations can show donors that they provide services of higher quality and that they are a more efficient organization, they will gain a competitive advantage in the market.

Donors may doubt the accuracy of information provided by nonprofit organizations themselves. The fundraising problem for fundraising organizations and the trust problem for donors can be solved if trustworthy information about fundraising organizations is available at no cost to donors. This is exactly what the program does. Generally speaking, seals of approval reduce search costs for consumers (Bennett and McCrohan, 1993). This also holds for decisions about donations to fundraising organizations. Fundraising organizations use the accreditation seal as a signal to donors that their organization is trustworthy, in the same way that for-profit firms use certification standards (e.g., ISO 9000; Terlaak and King, 2006).

The Dutch accountability club works as a reputation signaling system. When donors receive a fundraising appeal from a nonprofit organization, they can evaluate the trustworthiness of the organization by looking for the seal. If donors actually rely on the seal in their decisions on charitable contributions, it should give fundraising organizations that use the seal a competitive advantage over nonprofit organizations that do not use the seal: accredited organizations stand out as more trustworthy. The first hypothesis tested below is therefore:

H1 Nonprofit organizations that participate in the accountability club increase fundraising income more strongly than nonprofit organizations that do not participate.

The effect on donors is that the seal legitimates confidence in fundraising organizations among donors, and hence promotes giving. In the absence of an accountability program, donors have to rely on their casual impressions of the trustworthiness of nonprofit organizations, and they will worry about whether their confidence is justified. The public holds overly negative views on the fundraising costs of nonprofit organizations (Sargeant and Kähler, 1999; Bekkers, 2003). Such views are associated with (but do not necessarily cause) reduced donations (Bekkers, 2003).

When fundraising organizations are monitored by an independent agency, however, donors may correct their views. Independent monitoring provides an external piece of information that legitimates their confidence. A well-designed accountability program should therefore increase the level of charitable confidence among donors when they learn about the system. Such a system would be an alternative to joining an organization in order to obtain information about its trustworthiness (Bowman, 2004). The hypotheses tested below are:

- H2 Individuals who learn about the accountability club increase donations more strongly than individuals who do not learn about the program.*
- H3 Individuals who learn about the accountability club gain confidence in fundraising organizations more strongly than individuals who do not learn about the club.*
- H4 Individuals who learn about the accountability club increase donations more strongly than individuals who do not learn about the club because of enhanced confidence.*

Who responds to the accountability club?

There are good reasons to believe that accountability clubs are not equally important to all types of donors. One would expect that large donors would have stronger vested interests in accountability clubs. Generally speaking, people search for more information in decisionmaking about issues that are more important to them (Lanzetta and Driscoll, 1968). Those who give more to nonprofit organizations will find the trustworthiness of a fundraising organization soliciting contributions more important because they have a larger amount of money at stake. While Tinkelman (1998) found support for the hypothesis that large donors are more responsive to financial information from fundraising organizations in a study of corporate giving, Bowman (2006) did not find support for the hypothesis in a study of households. However, Bowman argues that his finding may have been the result of a low sample size. Donors who give large amounts to fundraising organizations will care more about the effectiveness of their contribution than donors who give small amounts. A large donation to an ineffective organization is a larger waste of money than a small donation. The hypothesis tested below is:

- H5 The higher the amount donated in previous years, the stronger the increase in donations upon learning about the accountability program.*

Who benefits from participation?

There are good reasons to believe that accreditation is not equally beneficial to all types of fundraising nonprofit organizations. One would expect

that accreditation is most beneficial for organizations working beyond the donor's horizon, because they face a stronger asymmetry of information problem. The less visible the qualities of an organization's output are for consumers, the higher the potential benefits of external evaluations (Terlaak and King, 2006). Donors will have more difficulty judging the effectiveness and trustworthiness of fundraising organizations that operate in distant countries, or work for abstract causes like the environment and human rights. Progress in poverty relief and human rights protection is more difficult to see than progress in provision of welfare or arts and culture at the local level. In addition, poverty, ozone layer depletion, and human rights violations are likely to continue in spite of the efforts of nonprofit organizations. In such circumstances, donors may feel their support is legitimate when they know the organization is accredited. Local organizations, on the other hand, may not need accreditation because donors are able to gain an idea of the effectiveness of the organization themselves by paying a visit to the organization or through information from others who have contacts with the organization. Viewed from the perspective of the fundraising organization one arrives at the same hypothesis. Organizations that operate on a local level are more strongly visible to donors, and subject to control. Local organizations cannot afford mistakes because they would be noticed more easily. Thus:

H6 International development organizations benefit more strongly from participation in the accountability program than do other organizations.

The effect of accreditation on giving by households

In order to test the hypotheses on changes in donations among households, I use data from the Giving in the Netherlands Panel Study (GINPS), a longitudinal panel study of giving and volunteering behavior among households. The GINPS has been conducted in May biannually since 2002. Data are gathered in a computer-assisted self-interview (CASI). Thus far, three waves have been completed. In wave 1, 1,964 respondents completed the survey; 1,246 of the wave 1 respondents also completed wave 2, and 703 also completed wave 3. Total n in wave 2 was 1,316; $n=1,474$ in wave 3. I restrict the analyses to respondents who participated in at least two waves of the survey.⁹

⁹ An important concern for the analyses is whether the group of respondents who participated in the second wave is representative of those who participated in the first wave. Selective panel attrition may endanger the validity of conclusions on the effects of learning about accreditation. A logistic regression analysis of panel attrition on the predictors of giving in 2004 used in the analyses showed only one significant effect: a negative effect of the level of education, indicating that university graduates were more likely to leave the

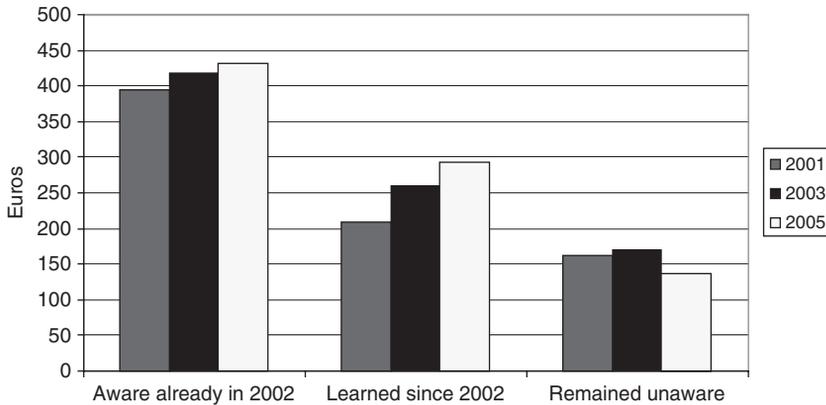


Figure 11.1 Mean amount donated in 2001, 2003 and 2005 by awareness of accreditation

First I estimate the influence of learning about the accountability clubs on charitable giving in 2003. I do so by comparing donations in 2003 and 2005 among those who had learned about CBF and those who had not, excluding those who already knew about the accreditation seal in 2002 because they cannot have learned about the system (see Figure 11.1).

Those who remained unaware of the system ($n=621$) gave €169 on average in 2003, which is about the same as two years earlier (€163). Those who learned about the system ($n=183$) gave €260 on average in 2003, which is substantially more than two years earlier (€209). Those who knew about the accountability program already gave on average €417 in 2003, a slight increase since 2001 (€394).¹⁰ This pattern of results suggests that those who became aware of the CBF increased their giving, while those who remained unaware hardly did so. Looking at the subset of respondents who participated in all three waves of the survey ($n=703$), I

panel than those with lower levels of education. This is unfortunate because university graduates give more. The selectivity of panel attrition with regard to education will lead to an underestimation of the effect of education on giving in 2004.

¹⁰ Logistic regression analyses were conducted to explore other differences between those who remained unaware of the system and those who were aware of it already in 2002 and became aware in 2004, respectively. Those who became aware of the system were younger, more highly educated, somewhat more likely to be members of an orthodox Protestant or other religious group, and significantly more trusting of others. Those who were aware of the system already in 2002 were more likely to be married, members of a small religious group, less likely to have children, more highly educated, more trusting of others, and more likely to attend church often. They also received more solicitations for charitable contributions.

Table 11.1 *Tobit regression of amount donated in 2005 (n=692; 586 uncensored, 106 censored)*

	Model 1		Model 2		Model 3		Model 4	
	Coeff.	p	Coeff.	p	Coeff.	p	Coeff.	p
Knew CBF already	218.3	***	116.5	***	128.9	***	129.9	***
Learned about CBF	133.9	*	114.7	**	121.3	**	121.9	**
Education	34.6	**	7.7		1.5		1.5	
Income (×10k)	20.1	**	12.0	*	12.2	*	12.2	*
Church attendance	7.1	***	3.2	***	3.2	***	3.2	***
Personal solicitations	1.3		-10.5		-8.2		-8.0	
Impersonal solicitations	45.1	*	22.9		25.6		25.5	
High trust	112.9	***	49.9		52.0	(*)	51.9	(*)
Amount 2001			.868	***	.785	***	.781	***
Confidence					37.8	(*)	29.3	(*)
Irritation					18.4		18.2	
Program spending					1.4	(*)	1.4	(*)
CBF* amount 2001							11.8	
Pseudo R square	.0309		.0680		.0712		.0712	

Notes: *** $p < .001$; ** $p < .01$; * $p < .05$; (*) $p < .10$. Included in all regression models are controls for age, gender, marital status, working status, home ownership, town size, and religious affiliation.

find that those who remained unaware of the system from 2002 to 2006 ($n=330$) gave €136 in 2005, a slight decrease since 2003. Those who had learned about the system ($n=114$) gave €293 in 2005, substantially more than in 2003. Those who knew about the accountability program already gave on average €432, another increase.

Summing up: from 2001 to 2005, giving increased among the respondents who were already aware of the CBF system in 2002. But giving increased more strongly among respondents who became aware of the system. Giving slightly decreased among those who remained unaware.

A tobit regression analysis of the amount donated in 2005 on learning about the system (not shown in Table 11.1) shows that the gross effect of learning about the accountability program is €217.¹¹ When control variables are included, this difference is reduced to a still significant €134 (see Table 11.1, model 1). This result supports hypothesis 3. The major part of the relationship of learning about accreditation with the amount donated

¹¹ This relationship is significant, $p < .000$. The tobit model is used to take censoring of donations into account. The effect of learning about accreditation in the OLS model (€157) is somewhat smaller, but still significant ($p < .006$).

remains when the amount donated in 2001 is included in model 2. By including this variable the effects of the other variables can be interpreted as the effects on changes in giving. Thus, learning about the accountability program is associated with an increase in the amount donated of €115 in the period 2002–2006.¹²

When charitable confidence, irritation, and beliefs about program spending are included in model 3 the effect of learning about the accountability program remains about the same (€121). Thus, confidence hardly mediates the effect of learning about accreditation, despite the fact that it has a strong relationship with the amount donated. This result stands in contrast to hypothesis 4. The anomaly will be discussed below.

The results in model 4 do not support hypothesis 5, that learning about accreditation increases giving more strongly among those who gave larger amounts in the past. The interaction between learning about accreditation and the amount donated in 2001 is positive, but not significant. However, in an analysis of the amount donated in 2003 the interaction between learning about the system and the amount donated in 2001 is strongly significant (results available upon request). This result does support the hypothesis. Together, the results imply that there may be an additional effect of learning about accreditation among those who gave higher amounts in the past, but that it is short lived.

Differential effects on giving to religion and other causes

Table 11.2 shows the results of similar analyses separately for donations to religion and other causes. The analyses show that learning about the CBF accountability program affects donations to religion as well as causes other

¹² Because amounts donated are highly skewed I also ran analyses of the natural log of the amount donated. Results of these models show an effect of learning about the system of 75.2 percent, 64.0 percent, 60.8 percent, and 59.3 percent, in models 1–4, respectively. It may be argued that learning about the accreditation system is endogenous and that including the lagged amount donated and control variables still leaves room for unobserved heterogeneity to bias the estimates. Indeed a Hausman test for a regression of the amount donated on awareness of the accreditation system is highly significant, $\chi^2=100.05$ ($df=1$), $p<.000$. I conducted a fixed effects regression of the logged amount donated to assess this criticism and found that learning about accreditation increases giving by 15.3 percent ($p<.081$). This estimate is considerably smaller than the effect of learning about accreditation reported in model 2 of Table 11.1, which is about 70.6 percent (the €115 from model 2 in Table 11.1 divided by €163, the mean amount donated by households who were unaware of the system in 2002). The difference implies that to some extent unobserved heterogeneity is driving the results reported in Table 11.1, but not completely.

Table 11.2 *Tobit regression of amount donated to religion and causes other than religion in 2005*

	Religion		Other	
	Coeff.	<i>p</i>	Coeff.	<i>p</i>
Knew CBF already	73.2	(*)	91.7	***
Learned about CBF	119.7	**	53.1	*
Education	2.2		4.5	
Income (×10k)	16.7	**	4.1	
Attendance	2.4	***	-0.3	
Personal solicitations	-1.0		-6.4	
Impersonal solicitations	26.1		40.5	**
High trust	26.9		37.7	*
Amount religion 2001	.862	***	.421	***
Amount other 2001	.050		.373	***
Confidence	-10.2		26.6	(*)
Irritation	-2.0		9.4	
Program spending	1.4		0.9	(*)
n (censored)	692 (432)		692 (115)	
Pseudo R square	.1197		.0490	

Notes: *** $p < .001$; ** $p < .01$; * $p < .05$; (*) $p < .10$. Included in all regression models are controls for age, gender, marital status, working status, home ownership, town size, and religious affiliation.

than religion; the former relationship appears to be somewhat stronger than the latter.

The results in the first column of Table 11.2 show that learning about CBF increased giving to religion in 2003 by about €120 when sociodemographic characteristics and donations in 2001 are taken into account. This finding is somewhat surprising. Despite the fact that none of the major churches in the Netherlands has the right to bear the accreditation seal, the churches did receive higher amounts from those who learned about the program. This finding suggests that there is an unintended positive externality generated by club participation. The purpose of the system is to enable donors to discriminate between organizations that are subject to monitoring and those that are not. Now it turns out that nonaccredited organizations also benefit from the system. Donors may have the apparently rather vague impression that fundraising organizations are subject to some form of monitoring, but may not know exactly which organizations are accredited.

The strongly positive effect of religious donations in 2001 indicates that religious giving is habit-like behavior: an additional €100 in 2001 is

associated with an additional €86 four years later. Confidence, irritation, and perceptions of program spending are not related to religious donations.

The results in the second column reveal that learning about the accountability program increases giving to causes other than religion in 2005 with about €53 when sociodemographic characteristics and donations in 2001 are taken into account. Surprisingly, the effect of learning about the accountability program on giving to causes other than religion is smaller than the effect on religious giving.

The results in the second column also show that donations to causes other than religion in 2005 are less stable over time than religious giving. In addition, there is a “spill-over effect” of religious giving to nonreligious giving: donations to causes other than religion in 2005 are also correlated with donations to religion in 2001. An additional €100 to religion in 2001 is associated with an additional €42 to other causes four years later. Interestingly, such a spill-over effect did not appear in the analysis of religious giving. Involvement in religious organizations spills over into involvement in other organizations, but the reverse is not the case. Similar findings have been reported earlier for giving in the USA (Wilhelm *et al.*, 2007) and for volunteering in the Netherlands (Ruiter and Bekkers, 2008).

Finally, the second column shows that attitudes toward charitable organizations are related to nonreligious giving. Higher charitable confidence and more positive perceptions of the proportion of funds raised spent on programs are associated with higher donations.

The effects of learning about the accountability club on attitudes toward fundraising organizations

Table 11.3 tests the influence of learning about the CBF accountability program between 2002 and 2004 on confidence in fundraising organizations, beliefs about program spending, and irritation about fundraising organizations (all measured in 2006). The analyses include measures of the same variables in 2004, such that the effects of the other variables can be interpreted as the effects on changes in attitudes.

Although the analyses in Tables 11.1 and 11.2 show that most of the effect of learning about the CBF program is not a result of these attitudes, it is still possible that the accountability program does change them. If the accountability program works as intended, it should not only affect the magnitude of giving, but also improve the quality of decisionmaking about giving. Donors should obtain more accurate information about the costs

Table 11.3 *Regression analyses of confidence, irritation about fundraising campaigns, and beliefs about program spending in 2006 (n=692)*

	Confidence		Irritation		Program spending	
	Coeff.	<i>p</i>	Coeff.	<i>p</i>	Coeff.	<i>p</i>
2004 measure	.605	***	.345	***	.375	***
Aware already	.109	(*)	.050		-2.527	*
Learned about CBF	.131	(*)	.047		.140	
Education	.039	*	-.050	**	-.356	
Income (×10k)	.008		-.006		-.336	
Attendance	-.002		-.002		.007	
High trust	.174	**	-.166	*	-1.527	
Amount religion 2001 (×100)	.034		.091		-.030	
Amount other 2001 (×100)	.098		.147		-.023	
CBF* amount religion 2001	-.013		.150		-1.193	
CBF* amount other 2001	-.000		-.060		1.894	
Adj. R square.	3809.		2404.		2010	

Notes: ****p*<.001; ***p*<.01; **p*<.05; (*)*p*<.10. Included in all regression models are controls for age, gender, marital status, working status, home ownership, town size, and religious affiliation.

of fundraising and program spending and may be less irritated by fundraising campaigns when they know that an independent monitoring agency evaluates fundraising organizations.

However, learning about the accountability program between 2002 and 2006 has not changed the attitudes towards fundraising organizations much, controlling for confidence in 2004. There is a small and marginally significant positive effect of learning about the system on charitable confidence. This finding suggests that learning about the system increases confidence in charitable organizations a little. Learning about the system is not associated with irritation about the number of appeals or beliefs about program spending.¹³

¹³ Additional analyses reveal an interesting interaction effect of learning about the accountability program with donations in 2001 on charitable confidence in 2004. Confidence in fundraising organizations in 2004 was higher among larger donors to causes other than religion after learning about the accountability program between 2002 and 2004. This effect does not occur among large donors to religious organizations, nor among small donors. There are no significant interaction effects of donations in 2001 with learning about accreditation on irritation or beliefs about program spending. These analyses are available from the author.

The results in Table 11.3 also reveal that persons with higher levels of education, lower incomes, and a high level of trust in fellow citizens have more positive attitudes toward fundraising organizations.

The effect of accreditation on fundraising income

The preceding analyses have shown how households change their giving and perceptions of fundraising organizations after learning about the CBF accountability club. Now I shift the perspective from donors to the receiving organizations. What are the benefits of accreditation for fundraising organizations in terms of fundraising income? Do fundraising organizations raise more funds when they are accredited? How much is the benefit of accreditation? Which types of nonprofit organizations benefit the most from accreditation?

To answer these questions, I analyze data from the Central Bureau of Fundraising on the income of 157 major fundraising nonprofit organizations in the period 1994–2004. Since 1994, these nonprofit organizations have submitted annual reports to the CBF each year.¹⁴ Among other things, the database contains data on gross fundraising income and fundraising costs (in euros), the sector in which the organization is active, the work area of the organization (the Netherlands, abroad, or both), and whether the organization was accredited. These data were available for each year in the period 1994–2004 in which the organization submitted financial statements to CBF. Raw amounts reported in the database were deflated with the annual mutation in the consumer price index, taking 1994 as the base year. Total inflation in the 1994–2004 period was 25.8 percent, while average fundraising income grew by 32.1 percent. All amounts were log-transformed before analyses.

A fixed effects regression model is used to estimate the effect of accreditation on fundraising income. When studying effects of nonrandom changes using longitudinal data, this model is usually preferred over random effects regression models (Halaby, 2004).¹⁵ Fixed effects models are more appropriate than random effects models when studying the effects of an intervention that is not randomly assigned to actors, but actors are selected into treatment. This is certainly the case for the accreditation of fundraising organizations. Whether or not – and if so,

¹⁴ The original dataset contained data on a much larger number of fundraising organizations, increasing over time, from 345 in 1994 to 548 in 2004. In the analyses presented here, all organizations that had missing observations in one or more years were disregarded to rule out composition effects. Analyses on the full sample of organizations yield somewhat weaker effects for most variables.

¹⁵ The Hausman test for model 1 is highly significant, $\chi^2=592.57$ (df=6), $p<.000$.

when – nonprofit organizations are accredited is not a randomly occurring event. The system started in 1997 with thirteen organizations.¹⁶ In subsequent years, increasing numbers of organizations applied for the accreditation seal, also in other sectors than health. The fixed effects regression model rules out the possibility that stable, unobserved characteristics of nonprofit organizations, such as the sector in which the organization operates, confound the effects of accreditation (Allison, 1994).¹⁷

In order to evaluate the magnitude of the effects of accreditation, lagged fundraising income, fundraising costs in the current year, the preceding year, and two years before are included in the regression models. In addition, the analyses include a variable “year” to model the average annual growth in fundraising income.

Model 1 of Table 11.4 yields an estimate of the effect of accreditation of 6.7 percent, controlling for lagged fundraising income, fundraising costs in the current year, lagged fundraising costs, and two-year fundraising costs, and year. This result supports hypothesis 1.

Model 1 of Table 11.4 also reveals an estimate of the effect of lagged fundraising income of 2.21 percent, indicating that fundraising income in the current year is weakly dependent on fundraising income in the past year.¹⁸ The effect of fundraising costs of .337 indicates that a 10 percent increase in fundraising expenditure raises 3.4 percent more funds the next year. Fundraising costs in the preceding year have an unexpected negative effect. There is no effect of year, indicating that fundraising income grew along with inflation in the period 1994–2004.

Model 2 shows that the effect of accreditation is not constant in the period 1994–2004. The main effect of accreditation in this model represents the average effect of accreditation in the years 1994–2002. The

¹⁶ The CBF announced its plan for an accreditation program in the early 1990s. It was tested among a group of three well-known fundraising organizations (NOVIB (currently Oxfam Netherlands), the Asthma Fund, and the World Wildlife Fund) that were approved in 1995 but were not allowed to use the seal until December 1996. Another group of ten organizations entered the procedure in 1996, and another four were accredited on July 1, 1997. The majority of these frontrunners were large health charities (e.g., Cancer Foundation, Diabetes Foundation, Kidney Foundation).

¹⁷ I also ran “difference in difference” models using the generalized method of moments (GMM; Arellano and Bond, 1991) because the fixed effect specification may be biased as a result of autocorrelations among the residuals of the dependent variable and its lag. Estimates of a GMM model including the same variables produced very similar results as reported in Table 11.4, but without significant lagged fundraising income effects (results available upon request). However, in this model as well as a wide range of other model specifications, Sargan tests of overidentifying restrictions in GMM models were always significant, and autocovariance in residuals remained a problem. This implies that also the GMM specification may have produced biased estimates.

¹⁸ This estimate is much lower than the estimate from an OLS (.968) or random effects GLS (.917).

Table 11.4 Fixed effects regression of fundraising income on accreditation, lagged fundraising income, fundraising costs, and year

	Model 1			Model 2			Model 3			Model 4		
	Coeff.	SE	P									
Income t_1	.221	.030	.000	.220	.030	.000	.215	.031	.000	.211	.030	.000
Fundraising costs t_0	.337	.029	.000	.339	.029	.000	.337	.029	.000	.338	.029	.000
Fundraising costs t_1	-.049	.033	.134	-.048	.033	.150	-.049	.033	.137	-.039	.033	.149
Fundraising costs t_2	.069	.028	.013	.068	.028	.013	.069	.028	.014	.068	.028	.014
Accredited	.067	.033	.046	.064	.033	.055	.073	.034	.030	.135	.046	.004
Year	.000	.005	.928	.007	.006	.239	.001	.005	.910	.001	.005	.904
Accredited, 2003/2004				-.067	.032	.037						
Accredited, <200k							-.112	.094	.234			
Accredited, health										-.051	.060	.399
Accredited, international										-.117	.056	.035
Accredited, religion										-.285	.117	.015
Constant	6.652	.453	.000	6.629	.453	.000	6.745	.460	.000	6.679	.453	.000
R2 within		.275			.278			.276			.281	
R2 between		.953			.953			.952			.950	
Observations		1142			1142			1142			1142	
Groups		137			137			137			137	

interaction term represents the effect of accreditation in 2003 and 2004. These years are considered separately because two organizations (Plan Netherlands and the Dutch Heart Association) received a great deal of attention in the media with the publication of Managers' salaries. Fundraising income of these organizations declined in response to these media reports. The results of model 2 shows that fundraising organizations that were accredited in 2003 and 2004 reaped no benefits of accreditation in these years; the main effect of accreditation together with the interaction effect for the years 2003 and 2004 is about zero. In an analysis excluding the two organizations that suffered in the media (Plan Netherlands and the Dutch Heart Association) the same significantly negative effect of accreditation in the years 2003 and 2004 is observed. This suggests that the decrease in the effect of accreditation in these years is not due to the decrease in fundraising income for these two organizations resulting from negative media reports, but may reflect a decrease in the credibility of the accreditation seal across the whole philanthropic sector.¹⁹ It is likely that the media reports in these years made the public aware that the accountability program has no standards regarding the salaries of employees of fundraising organizations. These media reports can be viewed as exogenous shocks that led to external pressure to create more stringent standards.

Who benefits most?

Models 3 and 4 of Table 11.4 test the effects of accreditation among specific groups of fundraising organizations. These analyses yield two conclusions. First, for organizations with low fundraising income (less than €200,000, n=6) accreditation yielded significantly smaller benefits than for other organizations. Second, religious organizations and international development organizations tended to benefit less than other organizations.

The first conclusion is discomfoting for the group of small organizations that have submitted financial statements to the CBF since 1994. The cost of the accreditation procedure (about €4,500) is a substantial amount for small fundraising organizations, and it did not benefit them at all. Accreditation actually *reduced* fundraising income by almost 4 percent

¹⁹ I ruled out the possibility that the benefit of accreditation for fundraising organizations is largest in the first year, and declines as organizations have the seal for a longer period of time. An analysis including interaction terms for all years shows a sudden drop in the effect of accreditation in 2003 and 2004, with 1997 and 1999 being better than the average years (2000–2001).

(.073-.112=-.039). Taking an organization with fundraising income of €500,000 as an example, the benefit of accreditation in the next year (€36,500) easily exceeded the costs. It should be noted, however, that the negative result for the small organizations does not emerge from the larger sample of organizations that submitted financial statements in at least two years. Among those organizations, the benefit of accreditation for the group of small organizations was equal to the benefit for larger organizations (results available upon request).

The second conclusion stands in contrast to hypothesis 6 that international development organizations would benefit more from accreditation. The results show that international development organizations hardly benefit at all from accreditation in the period 1994–2004. The net benefit for international development organizations is only 1.8 percent per year (.135-.117).²⁰

Health organizations, which formed the majority of the organizations that were accredited at the start of the system, also reaped no additional benefits from accreditation. In fact, the benefit for health organizations is slightly smaller even than for organizations in other sectors (except international development and religious organizations). Remember that the initial group of organizations was dominated by health organizations. Combining the results of the present analysis with the earlier result that the benefit of accreditation was larger in 1997 and 1999, I infer that the initial group of organizations benefited more not because they were dominated by health organizations, but because they started in 1997, and that year and 1999 were particularly good years for fundraising.

Finally, I find that religious organizations that were accredited benefited less from accreditation than organizations in other sectors (except health and international development organizations). This result is surprising given the earlier result that religious organizations attracted donations from those who learned about the accreditation system. That result was driven by the increase in donations to churches that did not join the accreditation program. The present result is driven by religious organizations that did join the program.

²⁰ To some extent, this result is specific for those organizations that submitted financial statements throughout the entire period studied (1994–2004). In an analysis of all organizations that provided at least two years of data, the net benefit for international development organizations is 3 percent (available upon request). The result is not due to changes in fundraising costs after accreditation because fundraising costs are included in the model. The result is also not a result of differences in size between international development organizations and other organizations because the effect is virtually the same when the interactions of model 1 are included.

Conclusion

The findings support the view that accountability clubs involving accreditation may help to solve the key accountability challenges for nonprofits: the fundraising problem faced by nonprofit organizations and the trust problem for donors. I found support for hypothesis 1 that accreditation increases the fundraising income of nonprofit organizations. I found an average 6.7 percent increase in fundraising income after accreditation in the period 1994–2004. I also found support for hypothesis 2 that individuals who learn about the accountability program increase their donations to charitable causes. The effect of accreditation is about €115 between 2002 and 2006. Only weak support was found for hypothesis 3, that learning about accreditation increases confidence in charitable organizations. No support was obtained for the hypothesis that learning about accreditation increases giving through enhanced confidence.

Among larger donors to causes other than religion, confidence did increase after learning about the accreditation, as did their giving. This finding supports the hypothesis that learning about accreditation affects large donors more strongly than small donors. However, a large part of the effect of accreditation remains unexplained. Perhaps accreditation merely justifies donations without improving confidence. When an independent monitoring agency accredits a fundraising organization that a donor is supporting, the donor may not necessarily feel more confidence in the organization, but will feel justified in giving. Further research is clearly needed to test this hypothesis.

Finally, the data suggest that the benefits of accreditation are smaller for international fundraising organizations. This finding stands in contrast to the hypothesis that international fundraising organizations are more strongly affected by accreditation than other organizations. It is unclear why this is the case. Because the trust problem is most pressing for international development organizations, one would expect them to benefit most strongly from the accountability program. With the present data it is difficult to explain this anomaly. Another unexpected finding that remains to be explained is that religious organizations failed to reap benefits from accreditation.

Discussion

The focus of this chapter has been on the benefits of participation in an accreditation club for fundraising organizations themselves in terms of fundraising income. But donors are also likely to gain from the accountability program when fundraising organizations comply with the standards of excellence required to bear the seal. It is likely that the quality of internal organization in general and accounting practices in particular, as well as

transparency and accountability to donors, increases because of accreditation. However, these changes in nonprofit behavior are more difficult to measure and quantify and could not be studied in the present chapter.

Another area for future research is to study the decision to join an accreditation program. The CBF database only contains data on organizations that have joined and submitted financial statements to the CBF. It is natural to assume that this reflects a willingness to be transparent and an interest in accreditation. The development of fundraising income among organizations that did not submit financial statements remains unclear. It is even impossible to say how selective the sample of organizations is that is studied in the present chapter, because basic data on the universe of fundraising organizations are lacking in the Netherlands.

Despite its advantages, the CBF accountability club has some imperfections. The club is somewhat “leaky”: churches have benefited from the system even though they did not join the program. While this can be viewed as “free-riding,” it can also be viewed as a sign that the accreditation system is a public good benefiting the charitable sector as a whole, and not just its members.

As in for-profit markets (Bennet and McCrohan, 1993), the costs associated with accreditation may be too high for small fundraising organizations. For the first five years, the accreditation seal costs on average €3,872 (€3,439 in the next five years). Taking the 6.7 percent from Table 11.4 as an estimate of the average increase in fundraising income, fundraising income needs to be at least €57,791 a year for a minimum of five years to make the accreditation procedure worth while from an economic perspective. For organizations with fundraising income below this threshold the investment in the seal does not pay off.

In addition the club standards may limit participation. The maximum fundraising cost ratio of 25 percent may also be unfair to small organizations. This ceiling punishes new organizations, and organizations that are trying to raise funds for unpopular causes (Steinberg, 1986). The ceiling also punishes organizations that have no volunteers available for door-to-door fundraising. Fundraising nonprofit organizations receive a significant source of income at virtually no cost when they can use volunteer fundraisers. This is mainly the case for large, established health charities like the Dutch Heart Association and the Cancer Foundation (KWF). For a new organization, the ceiling of 25 percent may pose a problem, even when the organization has been active three years. The CBF acknowledges that the maximum of 25 percent may be exceeded in specific circumstances, and effectively uses a three-year average for fundraising costs in the evaluation procedure. This makes sense but may still be too stringent for specific types of nonprofit organizations.

A potential unintended side-effect of the increasing awareness of the accreditation seal and the 25 percent maximum for fundraising costs (the best-known standard) is that a competition for low fundraising costs may emerge. In order to present low fundraising costs to the public, fundraising organizations may be tempted to reduce fundraising costs administratively through violations of the principle of joint cost allocation or considering fundraising campaigns as programs when they contain educational material (Hager, 2003). At present, CBF accounting rules are not clear-cut on this issue. Although there are limits to the level of detail of standards that can be specified and the costs of enforcement of these standards, more specific guidelines are needed here in order to prevent misrepresentation of fundraising costs.

A final limitation of the accountability program is that it contains no standards regarding the salaries of managers. The Dutch public clearly desires more regulation and transparency here. Violations of (low) expectations on salaries caused a drop in fundraising income for two well-known fundraising organizations in 2003 and 2004. The analyses revealed that the accreditation seal lost its effect also for other organizations precisely in these years. A recent study shows that the Dutch public is increasingly concerned about the salaries of managers of fundraising organizations (WWAV, 2008). To keep the public's trust, it may be necessary to include rules on salaries for managers of fundraising organizations in the CBF standards of excellence. Also, enforcement of existing rules becomes more important if the program is to retain credibility among the public. Perhaps this is one of the reasons why the CBF has recently withheld accreditation to a few organizations. Adding standards on Managers' salaries may also be a wise decision for the CBF. If members make rational decisions, they will leave a program without such rules if that does not pay off.

This chapter has provided a test of two key tenets of voluntary accountability clubs. First, the signals accountability clubs generate are received by key nonprofit donors and – if the club is strong enough – provide a credible signal. Second, principals are willing to reward nonprofits for credible signals. In the case of the CBF, many Dutch donors are aware of the accreditation program and those who are aware contribute more to organizations that participate in the program. Accredited organizations also see their donations rise.

What features of the CBF club account for these results? In comparison with many other clubs studied in this volume, the CBF is a relatively strong club. This in itself is a surprising fact. CBF shares similarities with the accreditation clubs in health and education in the USA studied by Bowman in this volume (chapter 3). Bowman argues that these clubs are strong because the nonprofits face a dominant principal, the US federal

government, that essentially mandates participation in these clubs. That is not the case in the Netherlands. The CBF emerged from self-regulation efforts by fundraising organizations. Why such self-regulation efforts have not developed into strong clubs in other countries is a pressing issue for future research. To study this issue, cross-national comparative data on the emergence of accountability clubs are needed.

Without access to such data, I can only offer speculative hypotheses. One such hypothesis is that strong clubs emerge more easily in smaller philanthropic markets. Cooperation is much easier to organize in small groups (Olson, 1965). The Dutch philanthropic market is relatively small compared with that of the USA. It should come as no surprise that Dutch fundraising organizations are well-organized.²¹

Another hypothesis is that competition leads to weak clubs. In the US state associations studied by Tschirhart in chapter 4 of this volume, any given nonprofit might have more choices about different clubs to join. Fundraising organizations will favor joining a club that does not have strong standards to reduce costs. In addition, donors will find it harder to obtain good information about the club and to identify what is a credible club. The CBF faces little competition from other clubs. In the absence of such competition, the CBF seal signals to the majority of donors that accredited organizations conform to the standards.

Appendix

Giving in the Netherlands Panel Survey

In the first wave of the GINPS, which was collected in May 2002, respondents reported about donations in the calendar year 2001. In the second wave, which was collected two years later, in May 2004, respondents reported about donations in the calendar year 2003. In the third wave (May 2006) donations in the calendar year 2005 were reported. The purpose of the analyses below is to see how giving to nonprofit organizations changes among respondents who learned about the CBF seal between 2002 and 2004 and among those who did not.

²¹ Switzerland is another example of a relatively small country with a strong club (ZEWO). Group size cannot be the only factor. Despite its size, Germany also has a strong club (DZI). Also one wonders why a strong club has not emerged in the Czech Republic (see chapter 7 by Ortmann and Svitková in this volume). The Czech Republic is also a relatively small country. However, Ortmann suggests that the past decades of communist rule in the country do not seem to have created a fertile ground for cooperation among civil society organizations.

In all three waves, respondents reported whether they “knew the CBF seal for fundraising organizations” (no/yes). In 2002, 33.7 percent reported awareness of the CBF seal. In 2004, this proportion had grown to 42.9 percent; in 2006 it was back to 38.8 percent. Of those who were unaware of the existence of the CBF seal in May 2002 and also participated in the third wave of the survey ($n=444$), 25.7 percent had learned about it four years later. The major increase in awareness of the accountability program took place between 2002 and 2004, when 22.8 percent of the respondents who were unaware of the system in the first wave learned about it.

Most of the analyses will be conducted on the respondents who were unaware of the accountability program in 2002. Charitable donations were measured in waves with extensive survey modules (called “Method-Area” modules by Rooney et al., 2004). I used reports on the amount donated to nonprofit organizations in nine different areas (religion, international affairs, health, arts and culture, public and social benefit, environment/wildlife and animal protection, education and research, sports and recreation, and “other”) to construct three measures for both survey years: (1) total amount donated; (2) amount donated to religion; (3) amount donated to causes other than religion. I distinguish religious from nonreligious contributions because none of the churches in the Netherlands has right to bear the accreditation seal. The mean for the total amount donated in 2001 among respondents who participated in all three waves ($n=703$) was €245; in 2003 it was €259; in 2005 it was €271.

In the analyses I regress donations in 2003 and 2005 on learning about the system, controlling for potential confounding variables to mitigate the concern that changes in giving between those who learned about the accountability program and those who did not are due not to learning about the system but to some other characteristics. It could be, for instance, that those who gave more to nonprofit organizations in 2001 are more likely to increase their giving in the 2001–2005 period and that they are also more likely to learn about the accountability program, but that the latter does not cause the former.²²

As confounding variables I include the amount donated in 2001, generalized trust, the number of solicitations received (both measured in 2002), and a series of sociodemographic variables that are often found to be related to philanthropy: household income (log-transformed, originally measured in twenty-four categories ranging from €2,500 to

²² Note that the measures of giving refer to 2003 and 2005, respectively, and awareness of the CBF system was measured in May 2004 and May 2006. For respondents who have learned about the CBF system after giving, awareness of the system could not have influenced giving. This time lag introduces a downward bias in the effect of accreditation.

€300,000, higher incomes truncated), marital status (dummy variable for being married), having children (1=yes), working status (dummy variables for working part-time or having no paid work; full-time paid work is the reference category), level of education (seven categories, ranging from primary education to post-doctoral degree), gender (female=1), age, town size (in thousands of inhabitants), and five dummy variables for religious affiliation (Catholic, Reformed Protestant, Rereformed Protestant, other Christian affiliation, nonChristian affiliation; no religious affiliation being the reference category). All these variables were measured in the 2002 survey.

Generalized social trust was also measured in 2002 with two items that are commonly used as two alternatives: "In general, most people can be trusted" and "You can't be too careful in dealing with other people." Responses to these questions were strongly correlated ($r=.42$). Because the effect of trust seems to be nonlinear (Bekkers, 2003) I did not use the original 1–5 scores, but recoded the average of the two items into a dichotomous "high trust" variable. Those with a trust score above the mean were considered as "high trustors."

Solicitations for contributions to charitable organizations were measured with a list of the ten different types of methods that nonprofit organizations use most frequently to raise funds. For each method, the respondent indicated whether she had been asked to donate to nonprofit organizations in the two weeks prior to the 2004 survey: 60.4 percent of the respondents reported at least one solicitation in the past two weeks. We distinguished between personal solicitations (42.2 percent) and impersonal solicitations (29.4 percent).

Charitable confidence was measured in 2004 with a single item asking "How much confidence do you have in "charitable causes'?" on a scale from 1 ("none at all") to 5 ("very much"): 3.1 percent reported no confidence at all, 18.0 percent little confidence, 49.0 percent moderate, 29.5 percent much confidence, and 0.4 percent very much. A measure for irritation about fundraising campaigns ranging from 0 to 5 was constructed from two variables: whether people ever felt irritated by the number of solicitations for charitable contributions they received (0 if not, reported by 48.3 percent), and if yes, to what extent they felt irritated (1 "very little" to 4 "very much", reported by 5.6 percent).

CBF database

The sample of fundraising organizations in the CBF database does not represent a random sample of the population of fundraising organizations. "Bad apples" will be underrepresented because they are unlikely to have

annual reports at all and if so, they will be unlikely to submit them to a monitoring agency. The mean amount raised grew from €3.9 million in 1997 to €4.7 million in 2004 (in concurrent euros). Fundraising costs increased too, and even more strongly in relative terms, from €559,000 in 1997 to €890,000 in 2004. In the first three years of the existence of the accountability program, 52 percent of the organizations that provided financial statements throughout the whole period were accredited (24 percent of all organizations in the sample that provided more than two years of data). The proportion grew at a slower pace in consecutive years, to about 65 percent in 2004 (42 percent of organizations that provided more than two years of data).

REFERENCES

- Akerlof, G. 1970. The Market for Lemons. *Quarterly Journal of Economics* 84: 488–500.
- Allison, P. D. 1994. Using Panel Data to Estimate the Effects of Events. *Sociological Methods and Research* 23(2): 174–199.
- Arellano, M. and Bond, S. 1991. Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations. *Review of Economic Studies* 58: 277–297.
- Arumi, A. M., R. Wooden, J. Johnson, S. Farkas, A. Duffett, and A. Ott. 2005. *The Charitable Impulse*. New York: Public Agenda.
- Bekkers, R. 2003. Trust, Accreditation, and Philanthropy in the Netherlands. *Nonprofit and Voluntary Sector Quarterly* 32: 596–615.
2005. Geven van Tijd: Vrijwilligerswerk. In T. N. M. Schuyt and B. M. Gouwenberg, eds. *Geven in Nederland 2005: Giften, Legaten, Sponsoring en Vrijwilligerswerk*. Amsterdam: Elsevier Overheid, pp. 80–92.
- Bennett, J. T. and K. F. McCrohan. 1993. Public Policy Issues in the Marketing of Seals of Approval for Food. *Journal of Consumer Affairs* 27(2): 397–415.
- Bowman, W. 2004. Confidence in Charitable Institutions and Volunteering. *Nonprofit and Voluntary Sector Quarterly* 33: 247–270.
2006. Should Donors Care about Overhead Costs? Do They Care? *Nonprofit and Voluntary Sector Quarterly* 35: 288–310.
- Bowman, W. and A. Bies. 2005. Can the Charitable Sector Regulate Itself? *Nonprofit Quarterly* 12 (special issue): 39–43.
- Hager, M. A. 2003. Current Practices in Allocation of Fundraising Expenditures. *New Directions for Philanthropic Fundraising* 41: 39–52.
- Halaby, C. N. 2004. Panel Models in Sociological Research: Theory into Practice. *Annual Review of Sociology* 30: 507–544.
- Lanzetta, John T. and James M. Driscoll. 1968. Effects of Uncertainty and Importance on Information Search in Decision Making. *Journal of Personality and Social Psychology* 10(4): 479–486.
- Olson, M. 1965. *The Logic of Collective Action*. Cambridge, MA: Harvard University Press.

- Parsons, L. M. 2003. Is Accounting Information from Nonprofit Organizations Useful to Donors? A Review of Charitable Giving and Value-relevance. *Journal of Accounting Literature* 22: 104–129.
- Rooney, P. M., K. S. Steinberg, and P. G. Schervish. 2004. Methodology is Destiny: The Effect of Survey Prompts on Reported Levels of Giving and Volunteering. *Nonprofit and Voluntary Sector Quarterly* 33: 628–654.
- Ruiter, S. and R. Bekkers. 2008. Religion and Voluntary Association Involvement over the Life Course: An Event History Analysis for the Netherlands. Manuscript, Department of Sociology, Radboud University, Nijmegen.
- Sargeant, A. and J. Kähler. 1999. Returns on Fundraising Expenditures in the Voluntary Sector. *Nonprofit Management and Leadership* 10: 5–19.
- Steinberg, R. S. 1986. Should Donors Care About Fundraising? in S. Rose-Ackerman, ed. *The Economics of Nonprofit Institutions*. Prague: Charles University, pp. 347–364.
- Svítková, K. and A. Ortmann. 2006. *Certification as a Viable Quality Assurance Mechanism: Theory and Suggestive Evidence*. Charles University, Center for Economic Research and Graduate Education, Working Paper No. 288, February.
- Terlaak, A. and A. A. King. 2006. The Effect of Certification with the ISO9000 Quality Management Standard: A Signalling Approach. *Journal of Economic Behavior and Organization* 60: 579–602.
- Tinkelman, D. 1998. Differences in Sensitivity of Financial Statement Users to Joint Cost Allocations: The Case of Nonprofit Organizations. *Journal of Accounting, Auditing and Finance* 13(4): 377–393.
- Wilhelm, M. O., E. Brown, P. M. Rooney, and R. Steinberg. 2008. The Intergenerational Transmission of Generosity. *Journal of Public Economics* 92: 2146–2156.
- Wing, K. and M. A. Hager. 2004. *The Quality of Financial Reporting by Nonprofits: Findings and Implications*. Brief No. 4 from the Nonprofit Overhead Cost Project Washington, DC: Urban Institute.
- Wilke, B. 2003. Monitoring Charitable Organizations: Criteria and Assessment Methods. Contribution to the OECD/DAC Workshop “Development Partners in Evaluation,” Paris, March 25–26, 2003.
- WWAV. 2008. *Het Nederlandse donateurspanel: Onderzoeksrapportage September 2008*. Woerden: WWAV.
- Zalpa van Berkel and WWAV. 2005. *Publieksvertrouwen in de Goede Doelensector*. Woerden: Zalpa van Berkel and WWAV.

