How can Bill and Melinda Gates Increase Other People's Donations?

Researchers:

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Sector(s): Finance

Fieldwork: Innovations for Poverty Action (IPA)

Location: United States

Sample: 52,988 prior Technoserve donors and 61,483 new Technoserve donors

Target group: Adults

Outcome of interest: Charitable giving

Intervention type: Information Non-monetary incentives

AEA RCT registration number: AEARCTR-0001296

Partner organization(s): Alfred P. Sloan Foundation, Gates Foundation, Harvard University Institute for Quantitative Social Science (IQSS), National Science Foundation (NSF), TechnoServe

Policy issue

Altruistic individuals may hesitate to give because of doubts about the quality of charities. Or they may give, but lack the information necessary to make the best choice they can. Charities know this and work hard to signal their quality to donors. For example, charities ask large, high-profile supporters—who may be perceived as able to assess the quality of charities—to publicize their contributions. Large gifts, such as matching grants and seed grants, may work through several mechanisms, and understanding better the importance of different mechanisms can help large donors (and their charities) structure gifts optimally in order to have the most leverage possible.

Context of the evaluation

As of 2011, U.S. giving to charitable and religious organizations exceeded 2 percent of national Gross Domestic Product (GDP). Such private contributions are an important source of funding for many nonprofit organizations, including Technoserve, a medium-sized (with a 2008 revenue of US$42.2 million) charity based in the U.S. Technoserve works with entrepreneurs in impoverished areas around the world to improve their businesses and raise their incomes. One of Technoserve's major donors is the Bill & Melinda Gates Foundation (BMGF)—a well-known private foundation also based out of the US, focusing on global health, agricultural development, financial services for the poor, and emergency response.



Reading a fundraising mailer.

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Details of the intervention

Researchers conducted two direct marketing tests to assess the impact of providing a matching grant from BMGF on Technoserve's direct mail fundraising efforts.

In the primary test, 52,988 prior Technoserve donors were randomly assigned to receive solicitation letters announcing a 2:1 matching grant. The treatment named the source as BMGF, and the comparison named the source as anonymous.

The secondary test examined the impact of the match, relative to no match, as a means to verify that in this context, a matching grant would have an effect on giving.

Results and policy lessons

Impact of naming the matching donor: In the primary test, those given a letter naming BMGF as the matching donor gave at a 0.23 percentage point higher rate than those who received a letter which identified the matching donor as anonymous. Individuals receiving letters naming BMGF were also more likely to be repeat donors. As in the first intervention, there was no effect on average gift size for those who contributed. This result was driven by the subsample of letter recipients whose name had been rented from other poverty charities (rather than disease charities), suggesting some familiarity with BMGF and their focus on poverty. Authors interpret this as suggestive evidence that in fact naming BMGF worked as a quality signal, not merely a social contagion effect from an industry leader.

Impact of the matching grant: Those given a letter which stated that BMGF would match their contribution were 0.4 percentage points more likely to make a donation as compared to those who received a letter with no mention of a matching grant (an 80 percent increase from 0.5 percent). Those given the information about the matching contribution were also more likely to be repeat donors, compared to those who received a letter that said nothing of a matching contribution. There was no effect on average gift size for those who contributed.

Researchers suggest these findings indicate that the naming of BMGF as a matching donor acted as a quality signal for Technoserve. Large and trusted donors may be able to multiply their funding impact by publicizing their donations to lesser-known non-profits, perhaps by guaranteeing a matching contribution.

Karlan, Dean, and John List. "How Can Bill and Melinda Gates Increase Other People's Donations to Fund Public Goods?" Working Paper, April 2013.