

Philanthropic Foundations and Development Co-operation

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Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- to contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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Philanthropic Foundations and Development Co-operation

Abstract. Philanthropic foundations have made important contributions to development, particularly in agriculture, family planning and infectious diseases control. The most effective interventions have been long-term investments that were based on vision and sound scientific understanding, and were well integrated with local capacities. Foundations' total expenditure on developmental activities is now about \$3 billion annually, mostly from large U.S. foundations. Foundations are increasingly involved in public-private partnerships whose activities range from crop and disease research to improving infrastructure, especially water supply. They have also evolved innovative approaches to building democratic life in developing countries. Better information exchange with official aid agencies and appropriate fiscal encouragement of their activity can help maximise foundations' future development contributions.

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FOREWORD

In recent years, several OECD countries have been paying increasing attention to the contribution that private actors can make to development co-operation.

To help advance this thinking, the Government of Spain made a special grant to the Development Co-operation Directorate (DCD) to fund a study of the role of philanthropic foundations in development efforts. It was prepared by Simon Scott, a senior DCD official, with the assistance of consultants from Spain and the United States.

Specifically, the study aims to:

- Inform bilateral aid agencies about the origin and nature of philanthropic foundations active in development
- Outline major current activities of such foundations in the development field, including those being supported through public-private partnerships
- Suggest means of enhancing communication between foundations and official aid agencies so as to improve development results.

The study consists of a policy-oriented analysis of past and present foundation activities in development and includes four commissioned annexes which give detailed background information and data on current projects.

Since there is relatively little current literature dealing with foundations' development work, we have decided to issue this study both in the DAC Journal series, and as a separate offprint.

Beyond its initial audience in aid agencies, I hope the study will be of interest both to scholars and to the general reader interested in development. I thank the Government of Spain for making the study possible.



Michael Roeskau
Director, Development Co-operation Directorate
OECD

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OVERVIEW

This study is primarily designed to inform aid agency personnel, particularly policy staff, of the past and potential future contribution of private foundations to development.

Chapter 1 discusses historical forms of philanthropy, and the main types and typical life-cycles of foundations. At the outset foundations tend to be local in scope and emphasise the individual preoccupations of the founder. As they mature, their scope broadens both geographically and thematically and their operations become more managerial.

Chapter 2 discusses key foundation contributions in crop development, population activities and infectious disease control. Foundations played a major role in the “green revolution” which boosted cereal crop yields throughout the developing world. Biotechnology is helping to develop new strains of rice and other crops that are more reliable and disease-resistant, but there is controversy about possible negative side-effects. Several foundations remain active in reproductive health programmes, whose effect in slowing world population growth will be increasingly felt in the decades ahead. Foundations have a proud record of developing both prophylactic and curative treatment of major developing country diseases.

Chapter 3 outlines current foundation work in the development field. Subject to several major caveats, it estimates the value of this at roughly \$3 billion annually (see p. 29), the bulk of which is already reported in OECD-DAC statistics. While some foundations continue important work on crop and disease research, others have developed major new programmes in promoting democracy, peace and environmental goals. US foundations remain pre-eminent, but there are signs of renewed effort by European governments to promote foundation activity. European and especially Japanese foundations are more often corporate than personal. In the development field, they concentrate on social and cultural activities not directly addressed by official aid programmes.

Chapter 4 discusses foundation innovations that may be of interest to development agencies. One is the development of public-private partnerships designed to overcome barriers to the commercialisation of new products and techniques with a potential development impact. These partnerships appear to offer the possibility of major breakthroughs in combating tropical diseases and improving harvests, but some governments are wary of supporting activities that could lead to private profit or ownership of vital technologies. Other partnerships, not involving private ownership of research, are helping to improve development infrastructure, *e.g.* water supply. Foundations also continue to develop innovative approaches to building democratic life in developing countries and to promoting the use of information and communications technology for development.

Chapter 5 offers suggestions for maximising the value of foundations’ contributions to development through sustained long-term commitment to appropriate use of science and technology, fiscal encouragement of foundation activity, and better information exchange with official agencies.

CHAPTER 1

THE FOUNDATION WORLD

Why examine private foundations' development work?

Development is a social process. Improving the economic position and general welfare of people in developing countries is a complicated undertaking involving many actors. The DAC has always stressed the need for partnership to achieve development goals, and partnership needs to be based on mutual understanding.

This study is primarily designed to inform DAC members about the development activities and capacities of private foundations. Its immediate inspiration is a series of decisions in several Member countries to broaden their collaboration with private foundations and other non-government actors in pursuit of the Millennium Development Goals.

Private foundations and official aid agencies are both committed to improving peoples' lives and expanding their choices. They face similar challenges in terms of project selection, supervision, and the need to balance the achievement of immediate targets against the need for long-term capacity building.

But the fact that private foundations generally do not need or seek official agency funding reduces the contacts between them, especially at the central, policy-setting level. While foundation boards are usually well aware of official development co-operation policy, and official and foundation aid workers in the field are often well acquainted, the policy staff in official aid agencies may feel that they could be better informed of private foundations' development goals and activities.

There is also reason to believe that official agencies may have something to learn from private foundations. Private philanthropy financed pioneering work in many development fields. Since foundations are independent from government, they also have greater freedom to take risks, to consider programmes that will only produce benefits in the long term, and to experiment with highly decentralised organisational structures. The results of their experience may suggest useful innovations for the official sector; they may equally provide useful warnings of previously unforeseen consequences.

To some extent, official agencies owe private foundations the respect due to an elder. For private development activities, like private philanthropy in general, predate official programmes. The context in which official development co-operation now operates was to some extent both prepared and defined by the previous ideas and experiences of private foundations and the programmes they funded.

The philanthropic impulse

The origins of philanthropy go back a long way. One classic work on the subject even claims to describe altruistic behaviour in the animal kingdom.¹ More conventionally, altruism is traced to family and kinship obligations to protect one's own and offer hospitality to strangers. These behaviours are extensions of basic human drives to self-preservation and protection of one's offspring, so it is not surprising that altruistic customs are a virtually universal feature of human societies.

Box 1. Some important books about American foundations

U.S. Philanthropic Foundations – Their History, Structure, Management and Record, by Warren Weaver (New York, Evanston and London, 1967)

Solid but never stolid, this is probably the best book ever written about foundations. The first part traces the origins of philanthropy in the ancient world, through the thousand years of ecclesiastical foundations, to the motivational, institutional and legal basis of the modern scene. The second part contains eighteen assessments of foundation achievements in various scientific, social and cultural fields, written by different specialists, with an introduction and conclusion by Weaver. The work is now very out of date, but its fine judgement and many insights into how foundations function set a standard which has never been equalled. See Box 3 for a sketch of Dr Weaver.

The Big Foundations by Waldemar A. Nielsen (New York and London, 1972)

This searching critique of 33 major foundations was itself funded by a foundation, whose director pointedly stipulates that "Mr Nielsen has enjoyed complete independence in his analysis". Nielsen finds foundations secretive, unadventurous, and "deprived of effective internal or external stimuli". He also pinpoints instances where he feels the interests of donor families took precedence over those of philanthropy. The book's call for greater attention to social problems was widely heeded, but its trenchant and uncompromising criticism left many foundations with a lasting wariness of external scrutiny. Nielsen has updated his critique in subsequent books, especially *The Golden Donors* (New York, 1985 and 1989).

The Influence of the Carnegie, Ford, Rockefeller Foundations on American Foreign Policy by Edward H. Berman (Albany, 1983)

Partly inspired by Nielsen's sceptical tone, this more ideological study asserts that foundations have slanted U.S. foreign policy in the interests of big business. Though marred by a tendency to rhetoric, it contains some useful information on the connections between foundation luminaries and top government officials. Berman is openly hostile towards this "elite", and unlike Nielsen, he does not consider the possibility that at least some of them may have attained their position by reason of an outstanding level of moral commitment or intellectual achievement.

Philanthropic Foundations: New Scholarship, New Possibilities edited by Ellen Condliffe Lagemann (Bloomington, 1999)

This collection spans overall trends, individual foundations, and prominent philanthropists. It shows how legislation has made foundations more professional and accountable, but also more cautious and bureaucratic. Although some essays suffer from academic or sociological jargon, the book is a useful starting point for exploring the recent literature on specific topics.

The Burden of Bad Ideas by Heather MacDonald (Chicago, 2000)

This conservative journalistic counterpoint to Nielsen and Berman argues that foundations have betrayed their free-market origins and weakened society's moral strength by promoting minority activism and "divisive victimology". The book is a polished indictment with numerous amusing or alarming anecdotes, but is rather thin on constructive alternatives.

1. To support this rather fanciful view, Weaver (op. cit. in Box 1, p. 4) points out that communities of bees, wasps and ants contain "groups [that] perform specialised functions for the good of the larger society, often at personal sacrifice. For example, insects that are specialised servants of the larger group are themselves usually sexless."

A second wellspring for philanthropic action is pride. Everyone wishes to be successful and well-regarded by his fellows. Wealthy people have the means to establish institutions that will be lasting memorials to their generosity and their concern for human welfare.

These instinctive or emotional factors provide only a general and rather conjectural explanation for philanthropic action. A clearer and more direct motive is religious duty, which is usually considered to have both selfless and selfish elements, since it involves both personal sacrifice and the prospect of eventual reward.

All the world's great religions enjoin the faithful to give to charitable works, to relieve poverty and suffering, and to welcome the stranger. Judaism includes the custom of tithing, *i.e.* reserving one-tenth of one's earnings for benefactions.² One of the five pillars of Islam commits Muslims to give 2.5 per cent of their annual income and wealth to charity (*cf.* Box 2),³ and the first great hospitals were founded by the medieval Muslim rulers of Baghdad, Cairo and Damascus. The sacred texts of Hinduism and Jainism extol the virtue of charity and Mahayana Buddhists are urged to follow the example of the Bodhisattva, who "gives his best food to the hungry ... protects those who are afraid...strives to heal the sick ... [and] shares his riches with those afflicted by poverty."⁴

In a secular age there is a tendency to forget about religion, and to gloss over its power to shape institutions and behaviour. It would be negligent to do so in this case, as "Religion is the mother of philanthropy ... both conceptually and procedurally."⁵ Indeed, Biblical precepts clearly underlie private philanthropy in the West. While this may seem to be a point of difference with official aid agencies, it is worth remembering that organised religion, particularly Christianity, has had a significant influence on official aid policies and programmes, both by precept and example:

- The present aid and resource flow targets originate in a call by the World Council of Churches (WCC) in 1958 for one per cent of industrial countries' income to be channelled to developing countries.
- Religious objections to abortion (especially by Catholics and Muslims) have influenced population policies in both national and international agencies.
- Christian missionaries are still active in some of the least developed and most dangerous parts of the world. Their role in improving temporal welfare provided the model and inspiration for government-sponsored volunteer programmes.
- The Jubilee 2000 campaign to cancel Third World debt was a Christian initiative, based on the Jewish tradition of remitting debts every 50th, or jubilee, year.

2. Genesis 28:22; Deuteronomy 14:28-29 and 26:12f.

3. This tithing, or zakat, only applies above a subsistence level, called nisab, originally specified in precious metals and currently equivalent to about \$1 000 p.a. Essential assets, such as housing and furniture, are exempt. There is a zakat calculator at www.zakat.com.my/english/index.shtml. Zakat may be used for welfare payments, education, debt relief, aid to refugees, religious and military aid, as well as associated administrative costs. Recipients must be Muslims. Although codified by the Koran and other Islamic texts, the custom has much older Near Eastern roots (*cf.* previous footnote).

4. Religious dicta on charity and hospitality are collected at www.unification.net/ws/theme141.htm.

5. H. A. Moe, "Notes on the Origin of Philanthropy in Christendom", *Proceedings of the American Philosophical Society* 105:2 (April, 1961), p. 141, quoted in Weaver, *op. cit.*, p. 19.

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- When the WCC criticised the interagency development blueprint “A Better World for All” as reflecting the views of rich industrial countries and international financial institutions rather than those of the poor, UN Secretary General Annan defended its development goals but adjusted his stance to meet Council concerns on debt and aid strategies.⁶

A final spur to philanthropy is more mundane. It is self-interest, which can take various forms. Contributions to charity are traditionally exempt from taxes, and this includes contributions to one’s own charity. It has been alleged that Henry Ford started the Foundation that bears his name with his own company stock in order to shield his wealth from taxation.⁷ Critics of foundations have also charged that they tend to be over-protective of the business interests of their founders and their heirs.⁸ Whatever the truth of these charges – and foundations have taken steps to counter them – it is clear that there is a fine line between fiscal encouragement of philanthropy and opening loopholes for tax avoidance and conflict of interest.

Historical forms of philanthropy

Two general strands of philanthropy are traditionally identified. One is said to have primarily religious origins and to concentrate on relieving the sufferings of the poor. It is often identified with the virtue of charity, and has a continuous history from the earliest ethical writings, through the relief efforts of the Churches through the ages, and on to the panoply of modern charities.

The second might be called beneficence. Its roots are seen in Greek and Roman models of support for the arts and learning, and provision of facilities and opportunities for the general public. Examples cited include Plato’s Academy, Cimon’s gift to Athens of parks and public entertainments, and Maecenas’ proverbial support for the poets of the early Roman Empire.

Philanthropy towards developing countries is a relatively recent phenomenon, but the two traditional strands can still be broadly identified. The definition of official development assistance comprises both welfare and (economic) development, and although there is obviously considerable overlap, one motive or the other usually predominates in any given programme. Private aid to developing countries also comprises the two strands, but they tend to be carried forward by different types of agencies. NGOs, which operate on a continuous stream of funding, most commonly focus on

6. See the exchange at www.wcc-coe.org/wcc/news/press/00/22pu.html and www.socialwatch.org/2000/eng/updates/geneva/launched_kofiannanreply.htm.

7. “Henry Ford and his son Edsel had originally created the foundation in 1936 not out of any grand philanthropic vision but instead to shelter their company’s stock from taxes and to ensure continued family control of the business.” [Heather Macdonald (*cf.* Box 1) at www.city-journal.org/html/6_4_a1.html]; the story is broadly confirmed in the standard texts]. The Ford Foundation website (www.fordfound.org) replies that “In order to diversify its endowment, between the years 1956 and 1974, the Foundation sold and otherwise disposed of its Ford Motor Company stock and invested the proceeds in other securities. The Foundation no longer owns Ford Motor Company stock and no affiliation exists between the two organizations, except for the historical connection.”

8. Nielsen (*op. cit.* at Box 1, p. 319) charged that “there is much troubling, though inconclusive, indication that they [trustees] have been delinquent in fulfilling the broader obligations of their trusteeship. Consistently, foundations linked with the automobile industry have been reluctant to finance research and experimentation on car safety, for example....Likewise, in investment policy, the trustees...frequently acquiesce in keeping all or most of their foundations’ investments tied to an associated company whenever the donor, the donors’ family, or the company executives have wanted them to do so.”

welfare activities and the relief of suffering. Foundations, with their permanent endowments, more often target longer-term development goals or work on underlying causes of deprivation. There are, of course, many exceptions to this very general observation.

Box 2. The Aga Khan Foundation

His Highness the Aga Khan, the leader of the Ismaili Muslim community, established the foundation which bears his name in 1967. It concentrates on health, education, rural development and support for NGOs, and emphasises establishing the institutional and managerial capacity to allow activities to gradually become self-sustaining. It is mainly, but not exclusively, active in developing countries in eastern and southern Africa and south and central Asia. The foundation benefits from volunteer help from the Ismaili community, and also accepts additional contributions from outside sources.

At a conference in Pakistan in 2000, the Aga Khan made the following observations⁹:

Philanthropy and charitable giving hold a very central place in the teachings of the Holy Quran, the writings of Islamic thinkers, and the history of Muslims in all parts and cultures of the Islamic World...In the Islamic World, from the earliest days, wealthy donors evolved a special form -- endowments (Awqaf) -- to address charitable needs on a sustainable basis. Philanthropic funding for social development (as distinguished from charity) is a somewhat more recent phenomenon. Support for schools and hospitals, often through endowments, were its first forms. The funding of institutions engaged in human resource development came later but is beginning to grow rapidly...

Self-reliance at the national, and local, levels is a theme that is now receiving greater emphasis than at any time in the last fifty years. This is a significant departure from development thinking in the 20th century, with its emphasis on state and international organisations as "nannies" to which citizens could look for everything. It also represents a move away from "special" relations between individual countries in the developing and developed world, with their overtones of dependency and patron-client relationships. [...The general public needs to] understand and appreciate the requirements and consequences of the shift in responsibility for social services from the government to private and community organisations as well.

*Let us dream a little about some of the beneficiaries of a vigorous and maturing philanthropic movement ten or fifteen years from now. **Endowed professorships** ... could be a feature of major government universities, not just a small number of private institutions. Funds for **medical research** on [regional] health problems and needs...and that can never be fully resolved by depending on the international research system, could be made available on a competitive basis to researchers in public and private universities, and in the commercial sector. **Sustaining cultural integrity** is a major issue in many parts of the non-western world today. How can these cultures survive in the face of the globalisation of communications, and the huge resources of the western media giants? Cultural institutions could be funded to develop material ... directed to both domestic and international audiences.*

Foundations' emphasis on improving opportunity rather than relieving immediate suffering goes back at least to first great modern philanthropist, Andrew Carnegie. This self-made Scottish American businessman retired at 65 to devote his life to philanthropy, and his writings on the subject, starting with *The Gospel of Wealth* in 1889, had an influence still felt today. Carnegie's aim was "the placing of ladders upon which the aspiring can rise", and he had a settled hierarchy of desirable community improvements, namely, in descending order:

- If funds were sufficient, a university.
- A free public library.
- Hospitals, medical colleges and laboratories.

9. The full text is at www.akdn.org/agency/philanthropy/ingphilHHADD.htm.

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- Parks.
- Meeting and concert halls.
- Swimming baths.
- Churches.¹⁰

Carnegie's list was a recension of the benefactions of classical times. And although foundation activities have ranged far from his pattern, especially over the last few decades, traces of it remain. Even some of the most radical social experiments now undertaken by foundations still retain Carnegie's emphasis on helping people to help themselves, rather than behaving as passive recipients.

Types of foundation

It is not easy to differentiate foundations from other non-profit, non-governmental organisations. Many bodies that most people refer to as foundations actually call themselves something else – fund, endowment, trust etc. Other bodies call themselves foundations that are really lobby groups, research outfits, or fundraising bodies.

The doyen of foundation studies, F. Emerson Andrews, proposed the following criteria for identifying philanthropic foundations:

- Non-governmental.
- Non-profit.
- Possessing a principal fund of its own.
- Managed by its own trustees and directors.
- Promotes social, educational, charitable, religious or other activities serving the common welfare.¹¹

This study will follow Andrews' criteria, though with an exception discussed in the next paragraph. Within them, Andrews identified five classes of foundation, namely general purpose, specific purpose, personal or family, company, and community. These categories need not concern us much, since our focus is simply on foundations which carry out work in or for developing countries. In practice, most of these happen to be general purpose or family foundations. They are also large, as smaller foundations tend to concentrate on a local region or domestic issue.

Andrews' categories apply to what are now called private foundations. Adding "private" has made room for another kind of foundation, called "public". These are not in the public sector: their distinguishing characteristic is that they lack a large private endowment, but instead raise money progressively from multiple sources, including private foundations and individuals, government agencies or fees for service.¹²

Within the private and public foundations whose activities touch on developing countries, there is greater heterogeneity than in, say, bilateral aid agencies, *e.g.*:

10. Weaver, *op. cit.*, pp. 26-31. The quote is attributed to *The Gospel of Wealth*, p. 16.

11. Adapted from Weaver, *op. cit.*, p. 39.

12. See "Foundation Fundamentals", edited by M. Morth and P. J. Johnson, 6th edition, Washington, 1999; condensed version available at fdncenter.org/learn/bookshelf/ff/text.html.

- The developmentally relevant share of foundations' activities varies widely, although it usually accounts for well under half of total expenditure.
- The degree of foundations' operational involvement covers a wide range, from simple grantmaking through to fully-staffed, decentralised in-country programmes.
- Attitudes to publicity and accountability also vary. Foundations are not answerable to parliaments, and their benefactors may regard it as a virtue not to publicise their generosity. At the other end of the scale, some foundations may be highly visible, either because they are running public awareness campaigns on a given issue, or because they seek extra funds from government or the public to top up their resources.

The life cycle of a foundation

Government aid programmes gradually evolve in response to the changing circumstances of recipients, as well as new ways of thinking about development problems. There may also be sudden policy shifts when governments change.

Foundation programmes have a somewhat different dynamic. Most have a self-renewing board which provides continuity and often allows longer-term programmes to be undertaken. But foundations may also undergo subtler shifts in orientation which depend on their stage of life.

At birth, foundations reflect the ideas of their founders, who are often self-made men, usually at or past middle age, and, especially in America, from a Protestant Christian background. Thus it may not be surprising that newer foundations, like Carnegie's more than a century ago, tend to place particular emphasis on helping those who help themselves.

When the founder passes from the scene, the board takes over. Decision-making becomes more collegial, and possibly more cautious. The board may seek to broaden or alter the foundation's mandate to adjust to changing circumstances or dispense with the "hobby-horses" of the founder. In doing so, they may invoke the legal principle of "*cy-pres*" – "close to it" – to modify impracticable or undesirable elements in their charter, as long as the broad initial idea is still recognisable.¹³

In the long run, boards become more heterogeneous. Criticism makes them sensitive to public opinion, or at least to the opinions of the intellectuals who criticise them. The tax benefits they receive (which did not exist in Carnegie's day, since there then was no income tax in the United States) encourage the critics to demand that they be "accountable" as public institutions. Foundations risk becoming bureaucratised, timid, publicity-conscious, or politically correct.

13. The standard literature on foundations is largely written by present or former foundation staff or board members, or by critics who feel they could have done a better job. Both groups find they can agree on the need for the broadest possible interpretation of "*cy-pres*". Recently, however, there has been something of a backlash against this liberal interpretation of foundations' mandates. Right-wing critics in particular have charged that foundations have often betrayed the freedom-loving individualism of their founders by engaging in social engineering projects, or promoting regulatory schemes. The Pew Charitable Trusts, set up by deeply religious arch-conservatives, are often cited as an example (www.capitalresearch.org/publications/alternatives/1995/november.htm), and MacDonald (*op. cit.*, Box 1) discusses other instances, including the famous 1977 resignation of Henry Ford II from the board of the Ford Foundation. Ford claimed that the board's "support for leftist causes" had taken the Foundation far from the intentions of his grandfather (www.forbes.com/forbes/2002/0107/144_print.html).

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The aging process may nevertheless have a positive side. As foundations mature, they may extend their geographical range. Most of the foundations now active in the developing world started as local activities for the hometown or region of the founder, or for his employees. They may subsequently run national programmes of donations, scholarships or institutional support before turning their attention to the developing world where there is the greatest need to relieve suffering and expand opportunity.

CHAPTER 2

IMPORTANT FOUNDATION CONTRIBUTIONS TO DEVELOPMENT

The variety of foundations' contributions to development is as broad as those of NGOs or government agencies. They range from help in developing general economic strategy, through development projects in practically every social and economic field, down to individual scholarships and grants to build human capacity and preserve natural or human heritage.

Despite this variety, the specific characteristics of especially the larger foundations have given them a special "niche" in development efforts. They have sufficient funds of their own to undertake long-term, pathbreaking activities that have significant risks and that may be unpopular with certain of currents of opinion. In this context, it is not surprising that some of the most successful foundation efforts involve research, development and the initial stages of implementation of new technologies and techniques. This chapter illustrates the point by discussing foundation contributions to the Green Revolution, population activities, and the control of infectious diseases.

The Green Revolution

The Green Revolution is generally associated with the boom in agricultural productivity in India from the mid-60s to the late 70s, through the introduction of new strains of wheat. But this popular perception is seriously incomplete. The Revolution actually started much earlier, affected many other countries and grain varieties, and involved not just new varieties, but also improvements in fertilisers and gradual changes in agricultural infrastructure and techniques.

According to Weaver, the Revolution started from a comment over a lunch in Washington in 1941. The then U.S. Vice President, Henry Wallace, came from a farming background and had served as Secretary of Agriculture. He had just returned from a visit to Mexico, where he had been dismayed at the sight of sparse rows of poor corn (maize). He remarked to Raymond Fosdick, then head of the Rockefeller Foundation, that "if anyone could increase the yield per acre of corn and beans in Mexico, it would contribute more effectively to the welfare of the country and the happiness of its people than anything else."¹⁴

Fosdick mobilised his staff to develop a proposal and discuss it with Mexican officials. Mexico offered the necessary land and the co-operation of its own agricultural researchers. The Foundation provided technical direction and supplies of tools and equipment. Thus was born the predecessor to the Centro Internacional de Mejoramiento de Maíz y Trigo (CIMMYT), or International Maize and Wheat Improvement Center. The work involved breeding new strains of maize, beans and wheat, controlling pests and diseases, and improving soils, fertiliser use and horticultural techniques. A large training programme was gradually built up to spread the benefits and make the activity progressively more Mexican.

14. W. Weaver, *Scene of Change*, New York, 1970, pp. 94-5.

Box 3. Warren Weaver, "philanthropoid" (1894-1978)

One of the best known of all foundation officers – or “philanthropoids”, to use his own term – was Warren Weaver, who served several US foundations in various capacities from the 1930s to the 1960s.

Weaver’s first career was as a mathematics professor, and as late as 1949 he wrote a brilliant introduction to Claude Shannon’s epochal papers on the mathematical theory of communication.¹⁵

From 1932 to 1955, Weaver headed the natural sciences division of the Rockefeller Foundation. The Foundation already had a proud record in combating hookworm, and Weaver greatly extended its achievements through support to pathbreaking research in molecular biology. The work he supported saved millions of lives from many diseases, boosted food production around the world, and earned a substantial share of the more than 170 Nobel Prizes won by Rockefeller-funded scientists. Among many other distinctions, Weaver received the Légion d’honneur and the Medal of Merit, the then highest civilian honour conferred in the United States.

Throughout his career, Weaver sternly opposed the intrusion of ideology into scientific research. As a condition of Rockefeller support for a genetics laboratory racked by ideological differences, Weaver demanded an assurance that:

“... research can and will be carried out in the true spirit of universal science” with “a complete dedication to the unbiased discovery of facts – all the facts and not merely certain misleading or partial facts which conform to a predetermined code.”¹⁶

Weaver’s departure as a head of natural sciences at Rockefeller in the mid-50s prefigured a broad shift in foundations’ attention from the physical sciences towards attempts to remedy social ills. But he continued his philanthropic activity both at Rockefeller and at the Sloan Foundation, as well as writing an outstanding book on U.S. foundations (see Box 1). Waldemar Nielsen, no easy judge, described him as a “splendid exception” to foundation complacency who “found in philanthropy a deeply satisfying lifetime career”.¹⁷

Weaver gives the main credit for the success of the project to its leader, George Harrar, who later became President of the Rockefeller Foundation. But perhaps better known these days is one of the scientists who worked under him, Norman Borlaug. In his memoirs, Borlaug recalls the impression made on him by a 1938 lecture in which the great American plant pathologist, Elvin Stakman, described wheat rust as “a shifty, changing, constantly evolving enemy”.¹⁸ Through his time in Mexico and afterwards, Borlaug would pursue this enemy.

In Mexico, Borlaug applied himself with ceaseless energy, making thousands of crosses between species from across the world to try to stay ahead of the mutating rust fungi. He developed a short-stemmed “dwarf” wheat variety which offered higher yields, and proved hardy and adaptable. He saw himself running a race against world hunger, and eschewed gradualist methods in favour of aiming at a production “blast-off”. In the early sixties he successfully introduced the new hybrid wheat in Pakistan, despite official reluctance to switch to exotic strains and popular fears that they would cause impotence or sterility. India soon followed, and celebrated its early success with a postage stamp

15. This classic work has recently been re-issued: Claude E. Shannon and Warren Weaver, *The Mathematical Theory of Communication*, Foreword by Richard E. Blahut and Bruce Hajek, Chicago, 1999.

16. Richard M. Burian and Jean Gayon, “The CNRS Laboratories at Gif sur Yvette”, in *Cahiers pour l’histoire du CNRS*, vol. 7 (1990) and at picardp1.ivry.cnrs.fr/~jfpicard/Burian-Gayon.html.

17. Nielsen, *op. cit.* in Box 1, p. 328.

18. www.patentmatics.com/pub2002/pub103.htm.

proclaiming “The Indian Wheat Revolution 1968”.¹⁹ The Indian institute that the Rockefeller Foundation had supported since 1956 also developed improved strains of maize and sorghum, while the Ford Foundation had been assisting agricultural extension work there from 1952.

The view at the time, which Borlaug still holds, was that the world had only a few decades to rein in population growth before famine spread out of control. The success of the Green Revolution was impressive. Mexico, Pakistan and India, which had all been food deficit countries, became net exporters in the space of a decade, and grain yields more than doubled in many other countries. Despite a near-doubling of world population between 1960 and the late 1990s, per capita world food production rose by 20 per cent over the period, and the proportion of people in the developing world with inadequate access to food fell by more than half to 18 per cent at the end of the period.²⁰

Borlaug won the Nobel Peace Prize in 1970. By then, the scope of international agricultural research had broadened considerably. In the late 1950s and early 1960s, the Mexican operation was turned into an international centre and a new International Rice Research Center opened in the Philippines with funds from both the Rockefeller and Ford Foundations. Further centres for agricultural research were later established in all developing regions, and they are now organised under the Consultative Group for International Agricultural Research (CGIAR). Funding needs have outstripped foundation resources, and are now met by a consortium of official national and international agencies.

The Green Revolution has its limitations. There are still about 800 million undernourished people in the world. The new techniques require new inputs which may not always be available. Some critics have also charged that they deplete soil nutrients and groundwater supplies, and require too much fertiliser and pesticides. One popular book pleads instead for smaller-scale production and less expensive and noxious inputs, presenting recent trends in Cuban agriculture as a model.²¹

In response, Borlaug has implored the donor community not to abandon science-based agricultural modernisation projects in developing countries, and has continued his own work with foundation support. In 1986, he accepted an invitation from the Japanese philanthropist Ryoichi Sasakawa, Chairman of the Sasakawa Foundation, to extend the benefits of improved agriculture to the region that needs it most: sub-Saharan Africa. Former U.S. President Jimmy Carter has campaigned in support of this “Sasakawa-Global 2000” initiative through the Carter Center, based at Emory University in Georgia. Together with national extension services in 11 sub-Saharan African countries, it has helped small-scale farmers to grow more than 500,000 production test plots of between 1 and 5 hectares. These plots employ improved technology for basic food crops: maize, sorghum, wheat, cassava, rice, and grain legumes.

Already by the time of Borlaug’s Nobel acceptance speech in 1970, new techniques were allowing faster and wider crossing of varieties. The possibilities have broadened further in the intervening decades, allowing genes from widely differing species to be transferred. Borlaug has sensed the possibility of finally conquering wheat rust, the elusive enemy he has been pursuing since he listened to Stakman’s lecture in 1938:

19. www.nobel.se/peace/laureates/1970/press.html.

20. www.wri.org/wr-98-99/hunger.htm and www.worldhunger.org/articles/global/ray.htm#Table2. Rising world population means the absolute number of hungry only declined from about 950 to 800 million over the same period.

21. *World Hunger: 12 Myths*, by Frances Moore Lappé, Joseph Collins, and Peter Rosset, with Luis Esparza (Second edition, 1998), summarised at www.foodfirst.org/media/opeds/2000/4-greenrev.html.

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“I would like to share one dream that I hope scientists will solve in the not-too-distant future. Among all the cereals, rice is unique in its immunity to the rusts ... All the other cereals – wheat, maize, sorghum, barley, oats, and rye – are attacked by two to three species of rusts, often resulting in disastrous epidemics and crop failures.

Much of my scientific career has been devoted to breeding wheat varieties for resistance to stem, leaf, and yellow rust species. After many years of intense crossing and selecting, and multi-location international testing, a good, stable, but poorly understood, type of resistance to stem rust was identified in 1952 that remains effective worldwide to the present. However, no such success has been obtained with resistance to leaf or yellow rust, where genetic resistance in any particular variety has been short-lived (3-7 years). Imagine the benefits to humankind if the genes for rust immunity in rice could be transferred into wheat, barley, oats, maize, millet, and sorghum. Finally, the world could be free of the scourge of the rusts, which have led to so many famines over human history.”²²

However, modern biotechnological techniques are becoming increasingly controversial. Shifting genes from one species to another strikes many people as “playing God”, and campaigning groups have stigmatised the new varieties as “Frankenfoods”. On a practical level, they charge that the new techniques may increase pests’ resistance to whatever characteristics can be transferred, and that they make farmers dependent on agribusiness multinationals. Two contrasting views are given in Box 4.²³

Despite the critiques, official donors have also been looking to biotechnology to increase food supply in poor areas. For example, the U.S. government is allocating aid funds to the Collaborative Agricultural Biotechnology Initiative (CABIO) to establish “African centres of excellence in biotechnology” and extend the benefits to ordinary farmers.²⁴ The idea has had a mixed reception. Some observers who gave it a mild welcome were nevertheless concerned about the potential for brain-drain and the lack of structures to ensure equitable distribution of the benefits.²⁵

Meanwhile, the Rockefeller Foundation, which started the Green Revolution in Mexico sixty years ago, recently completed a highly successful 17-year project on rice biotechnology which led to major advances in the molecular genomics of that most important food crop, and it continues to promote other efforts to apply biotechnology for development, especially in Africa²⁶. These include substantial training components to spread the benefits of new discoveries. But until such benefits are firmly established, it seems that the initiatives will continue to be caught in the crossfire between biotechnology opponents and people like Borlaug who bemoan “the short-sightedness of misguided environmentalists who fail to see that fertiliser, pesticides and science stand between humanity and starvation.”²⁷

22. www.nobel.se/peace/articles/borlaug/borlaug-lecture.pdf.

23. For a detailed and balanced account of the techniques, applications, issues and participants in the plant biotechnology debate, see Diane Osgood, “Global Civil Society’s Responses to Plant Biotechnology”, in H. Anheier, M. Glasius and M. Kaldor (eds.) *Global Civil Society 2001*, Oxford and New York, 2001, pp. 79-107.

24. usinfo.state.gov/topical/global/biotech/02061202.htm

25. www.techcentralstation.be/2051/wrapper.jsp?PID=2051-100&CID=2051-080602A

26. The achievements of the rice programme are discussed at www.rockfound.org/Documents/463/O_Toole.pdf. Rockefeller’s current African crops programme is set out at www.africancrops.net.

27. www.patentmatics.com/pub2002/pub103.htm. Biotechnology is a major theme of broader OECD work: see www.oecd.org/EN/home/0,,EN-home-27-nodirectorate-no-no-no-27,00.html. For a useful

Box 4. Can biotechnology help feed the poor?

Foundations and private think-tanks offer contrasting opinions on using modern methods, including biotechnology, to boost food yields in developing countries. One enthusiast is Dr Florence Wambugu, Executive Director of A Harvest Biotechnology Foundation International (AHBTFI), based in Nairobi, Kenya, who said recently that:

“Standing in the way of the GM revolution is like stopping a stampede of elephants. Globally, farmers have embraced the new technology because it makes them more efficient and protects – or increases – yields and reduces their reliance on chemicals. There are over 100 million acres of biotechnology-enhanced crops in more than a dozen countries.

As the revolution moves across Africa, we Africans must seek to move the current debate to a higher level. The issue is not whether to adopt biotechnology, but how to adopt it... We should be debating substantive matters related to the technology and specific policies and institutions required to enable Africans to maximise the benefits and minimise the risks associated with genetic engineering.

With GM technology, Africa can quadruple its maize output, more than triple sweet potato output and increase banana output by eight times. Anybody who intimately understands hunger would be interested in a technology that increases food output.”²⁸

On the other hand, Anuradha Mittal, co-director of the Food First Institute for Food and Development Policy based in San Francisco, focuses on what she sees as the oppressing and colonising forces that lead to hunger:

“I am deeply disturbed by the way hunger has been used to promote biotechnology. Suddenly, transnational corporations like DuPont, Monsanto, Novartis, and Syngenta, which have already caused so much misery, are casting themselves as do-gooders. Monsanto gave us Agent Orange, yet it's presented by the U.S. government and the corporate media as a good corporate citizen, concerned for the poor and hungry in the Third World. The U.S. government is "combating hunger" by allocating money from development-assistance programs to promote biotechnology in the Third World.

And the civic groups that are opposing the corporate takeover of our food system and challenging genetic engineering – because we do not know its environmental and health consequences – are portrayed as selfish people who want to deny the Third World the benefits of biotechnology. For years, oil companies have used "greenwashing" as a public-relations strategy, professing environmental concern to cover up their environmentally destructive activities. The biotech corporations are now using "poorwashing": faking concern for the burgeoning, hungry population of the developing world while exploiting those populations in order to reap greater profits.”²⁹

Population activities

The question of whether population growth ought to be curbed has been controversial for centuries. Malthus pointed out that population had the potential to increase exponentially whereas food and other production would increase linearly. But he did not propose to do anything about it, since he

short bibliography on the Green Revolution, see www.uark.edu/depts/hesweb/hdfsrs/agec5163/biblio.pdf.

28. F. Wambugu, “Harvesting New Technology”, in *Focus on Africa* magazine, January-March 2003, p. 33, BBC, London. Dr. Wambugu details her views in her book *Modifying Africa: How Biotechnology Can Affect the Poor and Hungry*, Nairobi, 2001: for details, see www.modifyingafrica.com.
29. A. Mittal, “On the True Cause of World Hunger”, interview with Derrick Jensen, February 2002, available at www.foodfirst.org/media/interviews/2002/amittalsun.html.

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believed that population pressure was divinely ordained to encourage hard work and inhibit reproduction among the indigent.³⁰

The first efforts at birth control grew out of the eugenics movement founded by Francis Galton in the late 19th century. Galton was a cousin of Charles Darwin, and believed that science held the key to the improvement of the human genetic endowment. This became accepted wisdom in progressive circles and actuated charitable giving by numerous foundations between the wars, *e.g.*:

- The newspaper publisher E. W. Scripps financed the establishment of the Scripps Foundation for Research in Population Problems at Miami University in 1922. Among other things the Foundation “analysed broader political and social implications of growth and change in world populations”.³¹ Its Director, Walter Thompson, published *Danger Spots in World Population* in 1930.
- The Milbank Memorial Fund gave \$250,000 to Princeton University in 1936 to establish an Office of Population Research with a global mandate, and the Ford and Rockefeller Foundations made substantial grants to several other universities after the war.
- The Rockefeller Foundation made grants to the National Research Council’s Committee for Research in Problems of Sex and both it and the Carnegie Corporation supported the International Union for the Scientific Study of Population.

Margaret Sanger, an author and campaigner, founded the American Birth Control League in 1921. The League merged with another organisation in 1939 to form the Planned Parenthood Federation of America, the progenitor of the International Planned Parenthood Federation, which is now the pre-eminent international NGO in the field. Rockefeller Foundation support for the Federation started in 1941. Sanger’s legacy is now controversial because of calls she made over the years to restrain the procreation of undesirables, but her defenders insist she had the good of humanity at heart.³²

After the war, the focus on developing countries sharpened. John D. Rockefeller set up the Population Council as a foundation in 1952, and it later received millions of dollars from both the Rockefeller Brothers Fund and the Ford Foundation. The Council supported fellowships in demography and reproductive physiology for students from around the world and set up regional training centres in Santiago and Bombay. It was instrumental in decisions by many Asian and North

30. *An essay on the Principle of Population* (1798): see, *e.g.* www.ac.wvu.edu/~stephan/malthus/malthus.4.html.

31. Osborn, “American Foundations and Population Problems”, in Weaver, *op. cit.*, p. 366.

32. *The Pivot of Civilisation* is at www.pro-life.net/sanger/pivot_in.htm (courtesy of its detractors). IPPF offers a qualified defence at www.plannedparenthood.org/about/thisispp/sanger.html. The eugenists believed that feeble-mindedness arose from a single defective gene that in succeeding generations would produce dependency, imbecility and criminality. This view was speculative, but purpose-built institutes soon produced data supporting it, and enthusiasts claimed to find much corroborative evidence. It led to restrictive immigration laws in the United States, and compulsory sterilisation of imbeciles and other undesirables in Denmark, Germany, Norway, Sweden, Switzerland and 24 U.S. states. Although “in later years it became clear that the material the eugenists had presented to congressional hearings had little scientific foundation” [F. Osborn, in *Encyclopaedia Britannica*, 1973 ed., s.v. “Eugenics”], the legislation based on it continued in force for decades: U.S. immigration law was not amended until 1964 and forced sterilisation continued in Sweden until 1975.

African countries to set up national family planning programmes, and today maintains an extensive country presence throughout the developing world.³³

The invention of “the pill” at the Worcester Foundation for Experimental Biology in the 1950s was a major breakthrough in contraceptive technique, but it was too expensive for most couples in the developing world. As an alternative, the Population Council financed more than forty studies on polyethylene versions of the Graefenberg ring, which appeared to demonstrate the safety of so-called intra-uterine devices (IUDs). These had very high take-up from the mid-60s in countries such as Chinese Taipei, Korea and Tunisia which had instituted family planning programmes.

Annual world population growth peaked in percentage terms in the late 1960s (2 per cent), and in absolute terms in the late 1980s (86 million people). The increase in 2001 was 1.3 per cent or about 80 million people.³⁴ The most widespread method of contraception is sterilisation: about one-third of married women in both China and India have been sterilised, and in the world as a whole, 21 per cent of women and 4 per cent of men are sterilised. The next most widely used method is the IUD, used by women in 15 per cent of couples.³⁵

Although trend growth in world population has slowed significantly, the total is close to predictions made decades ago. In 1980 the UN estimated that world population would be 6.12 billion in 2000: the actual figure was 6.06 billion, only 1 per cent lower.³⁶ But the slowdown will gradually become more apparent: the 1980 forecast for 2025 was 8.2 billion, whereas the latest estimate is 7.85 billion.

Both sides in the Green Revolution and biotechnology debates see the slowdown in world population growth as a boon, though for different reasons. While environmentalists tend to regard restricting population growth as a worthwhile ecological benefit in itself, Borlaug, following Stakman, has always seen boosting food production as simply buying time to get the root problem of population growth under control. Nevertheless, others are less enthusiastic about limiting population growth. Some foundations and religious groups object on principle to inhibiting procreation, while the followers of the economist Julian Simon regard extra people as a resource rather than a burden. Whatever one’s stance, the important point for this study is that foundations played a key role in developing the research, policies, infrastructure and contraceptive methods that led to major declines in fertility in the developing world over the last 40 years. The Hewlett, MacArthur and Packard foundations all maintain substantial family planning and reproductive health programmes today (brief details are in Annex A).

33. See www.popcouncil.org/.

34. All population estimates and projections should be regarded as approximate, as there is a long history of significant revisions, even to data already decades old. The numbers here are from the UN Population Division’s “2002 Revision”, available at www.un.org/esa/population/unpop.htm. The Population Reference Bureau, which received its first grant from the Ford Foundation in 1952, offers resources and discussion of the differing projections of future global population made by the UN, World Bank, U.S. Census Bureau and the International Institute for Applied Systems Analysis. See its site at www.prb.org.

35. [www.prb.org/Content/NavigationMenu/PRB/Journalists/PressReleases/Sterilization_Worlds_Num1_Contraceptive_Method_\(June_2002\).htm](http://www.prb.org/Content/NavigationMenu/PRB/Journalists/PressReleases/Sterilization_Worlds_Num1_Contraceptive_Method_(June_2002).htm)

36. *World Population Prospects as Assessed in 1980*, UN/DESA, New York, 1981, p. 5; www.unfpa.org/swp/2000/english/indicators/indicators2.html.

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It might also be noted that family planning provides an interesting example of collaboration between foundations, mostly in the United States, and governments in Europe and the developing world. For example, the Swedish government was involved in research on birth control methods in developing countries from the 1950s, and northern European official donors have been the mainstay of funding for IPPF and UNFPA. By contrast, the level of official U.S. support for population programmes has varied widely over the years, depending on whether the focus was on relieving hunger and poverty, or discouraging programmes which have often included forced sterilisation, abortion, or draconian penalties for child-bearing. A recent academic study pointed out that several U.S. presidents expressed contradictory views on the issue at different points in their careers.³⁷ By contrast, several U.S. foundations have a long and consistent record of support for population activities.

Infectious diseases control

Both the Green Revolution and population programmes were largely foundation initiatives which gradually attracted official funding as they proceeded from research to implementation. The same process can be seen in the field of infectious diseases control. The field is vast, and only a few highlights will be discussed here.

Hookworm

Hookworm is a blood-feeding intestinal parasite usually contracted by contact with soil containing human faeces. Heavy infestation causes anaemia, diarrhoea, stunting and mental retardation. It is particularly dangerous during pregnancy. The Rockefeller Sanitary Commission, established in 1909, attacked the disease in the southern United States and later extended its work to over 50 countries. In the early days, improved sanitary conditions, *e.g.* better latrines, were the main means of containing the disease. There are still about 1 billion people infected worldwide, with about 50,000 deaths annually. Current treatment is a dose of the drug mebendazole, developed by the Belgian firm Janssen in the 1960s. The Gates Foundation recently announced an \$18 million grant to the Sabin Institute to develop a vaccine.³⁸

Malaria

Malaria is a group of mosquito-borne parasites that release toxins causing rigors, headache, vomiting, diarrhoea and other symptoms. One strain can cause kidney failure and is often fatal. Although now thought of as a tropical disease, malaria was common in Europe and North America until the 20th century. In fact the name comes from the Italian for “bad air”, referring to the sickly atmosphere around marshes which was thought to directly cause the disease. Only after the parasite itself was discovered in 1880 did it emerge (1897) that it was transmitted by marsh-breeding mosquitoes.

Numerous U.S. foundations, as well as the Nuffield Foundation and the Wellcome Trust in the UK, have financed medical research and treatment programmes for many decades. The Rockefeller Foundation used pesticides to exterminate the carrier mosquito from Brazil in 1940 and Egypt in 1944-6. It also pioneered the use of DDT in Mexico in the late 1940s and early 1950s. Building on this experience, the World Health Organisation launched a major malaria eradication campaign in the

37. See Deborah R. Macfarlane, “U.S. Policy Toward International Population Assistance”, 2001, copy at pro.harvard.edu/papers/048/048003McFarlaneD.pdf.

38. See www.ecbt.org/gates.html.

1960s, which sharply reduced the global burden of the disease. The most effective efforts used an integrated approach of clearing brush, draining ponds, deploying insecticide and isolating victims to prevent mosquitoes being reinfected from human carriers.

But these campaigns fell away sharply after the U.S. Environmental Protection Agency banned the most effective pesticide, DDT, in 1972.³⁹ Efforts gradually became more defensive, relying mainly on bednets and household spraying. With foundation and official support, over a dozen treatment drugs have been developed, but the parasite has always developed resistance, and the disease currently affects about 300 million people and kills over 1 million annually. Several major attempts have been made to develop true preventive medications (as opposed to taking the treatment drugs as prophylactics), but so far these have not been successful.

Yellow fever

This is a mosquito-borne virus. The name comes from the fact that it attacks the liver, producing jaundice as well as fever. It also affects the kidney and heart, and can be fatal. In the 1920s a South African physician of Swiss extraction, Max Thieler, was among a group that discovered the virus and succeeded in transferring it to mice, which greatly reduced the costs of further research. Thieler joined the International Health Division of the Rockefeller Foundation as a staff scientist in 1930 and later produced a vaccine there from a mutant strain of the virus that arose spontaneously in his laboratory. In recognition of his work, he received the 1951 Nobel Prize in Physiology or Medicine.

Although control programmes including pesticide-spraying eradicated the disease from large areas of the developing world in the 1950s and 1960s, “these programmes have lapsed over the last 30 years and mosquito populations have increased”⁴⁰ especially in West Africa and tropical South America. There are now about 200,000 cases per year, with about 40,000 deaths. The strain isolated by Thieler, called 17D, remains the source of current vaccines, which although among the safest, are live and have in rare cases caused illness and death.

39. www.epa.gov/history/topics/ddt/01.htm. The legacy of this decision remains contested. At the time of the ban, mosquitoes were developing resistance to DDT, requiring higher application rates that were thought to be adversely affecting birds and perhaps fish. Nor were developing countries obliged to follow the U.S. lead, but many did so, and the ban also dissuaded aid agencies from funding DDT spraying programmes. Some critics charge that the result has been tens of millions of avoidable deaths: see e.g. Aaron Wildavsky, *But Is It True?*, Cambridge (Mass.) and London, 1995, pp. 55-80; also Deepak Lal, “The New Cultural Imperialism: The Greens and Economic Development”, Julian L. Simon Memorial Lecture, New Delhi, 2000, pp. 10-11 (available at www.libertyindia.org/seminars/JSlecture_DeepakLal.pdf). A spirited campaign gained limited exemption for DDT in the recent treaty banning Persistent Organic Pollutants (see www.malaria.org/DDTpage.html).

40. www.who.int/inf-fs/en/fact100.html

CHAPTER 3

THE SCOPE OF CURRENT FOUNDATION ACTIVITY IN DEVELOPMENT CO-OPERATION

The scale of foundations' development work

Two special analyses commissioned for this study provide an overview of the available data on foundations' development work (see Annexes A and B) and identify the main players and programmes.

This chapter draws on those data and on other research to identify key trends, but the results can only be considered tentative as analysis is hindered by a number of factors including:

- There is no organised world-wide data collection procedure. Foundations file tax returns, which in some cases are publicly available.⁴¹ Foundation Centers in the USA, Europe and Asia collect some data on foundation activities, but it is on a voluntary basis and the categories do not correspond to DAC aid definitions or sectors.
- Foundations are private bodies, and may prefer to work out of the public eye. Some philanthropists feel it is undignified to publicise their good works; and some foundations may fear interference from lobby groups if their activities become well-known.
- Foundations are not like government departments with defined areas of responsibility. They are not bound by distinctions between developed, transition or developing countries; nor do they draw a line between economic development and welfare on the one hand and cultural exchange and other "non-developmental" activities on the other.
- The nature of foundation activities often does not fit easily into a donor-recipient paradigm. Many foundation programmes focus on research, consciousness-raising or institutional co-operation where benefits are subtle, long-term, and hard to attribute to specific actions.

With these caveats, one can roughly estimate the average annual financial contribution of private foundations to development activities over recent years at \$3 billion per year, although it was probably higher than this in 2000 and 2001 due to large contributions to global health initiatives by the Gates Foundation. Well over half the total comes from foundations in the United States. The bulk of foundations have no overseas activities, and by far the majority of foundation spending throughout the world is local, regional or national in character. It is believed that most foundation expenditure on development is already reported in OECD-DAC statistics as part of the roughly \$7 billion attributed to non-governmental organisations. Several DAC members, however, are in the process of improving their data collection in this area.

41. *E.g.*, for US foundations, at www.GuideStar.com.

Main sectors of activity

Foundations are generally more specialised in their scope than bilateral aid agencies, but less specialised than developmental NGOs. This reflects their relative size, and the aims and interests of their benefactors.

Foundations' areas of interest have shifted over the years, in parallel with, and often in advance of, shifts in the attention of bilateral agencies. For example, social action and environment projects have been significant areas of foundation interest for at least thirty years, whereas it is mainly over the last 15 years that they have gained a place in official aid programmes. At the same time, it is striking how many foundations still have programmes focusing specifically on the birth control aspects of population programmes, whereas most official donors have now moved towards broader approaches to reproductive health. To some extent, this may reflect a feeling among US foundations in particular that they are filling a niche left by the official sector.

One striking feature of current foundation work is its emphasis on promoting democracy, social participation and peace building. These activities are on the borderline of traditional "development" work, although no one would dispute the importance to development efforts of maintaining social cohesion. One of the largest new foundations, the Soros Foundation, has specialised in this area.

Foundations also support a wide variety of initiatives in the environment. These range from targeted interventions to improve the health and safety conditions of specific groups, to broader consciousness-raising on perceived global problems. For example, the Pew Charitable Trusts published a major review article on *The Science of Climate Change* in 1999, which largely anticipated early versions of the Third Assessment Report of the United Nations Intergovernmental Panel on Climate Change, and more recently it has spotlighted measures to reduce emissions of greenhouse gases, including in developing countries.⁴² The MacArthur Foundation has awarded several of its fellowships (now worth \$500 000 and commonly known as "genius grants") to scientists associated with the Panel who have published innovative papers on atmospheric science. While these foundations' awards have tended to stress the dangers to developing countries of possible greenhouse warming, other foundations have supported the work of scientists who dissent from this view (*cf.* Box 5).

There remain significant foundation development initiatives in the traditional fields of crop and disease research, some of which involve new funding mechanisms and organisational structures as described in Chapter 4. It is also striking that the world's largest foundation, the Bill and Melinda Gates Foundation, has in its first years placed such emphasis on libraries, medical treatment, and support to universities, echoing the priorities first advanced by Carnegie and Rockefeller a century ago. The Gates Foundation's grants towards existing vaccination programmes, the development of an AIDS vaccine, and the Global Fund to Fight AIDS, Tuberculosis and Malaria already total well over \$1 billion. They mark a decisive return of foundation interest to the diseases of poorer countries, though research efforts this time will be carried out by grantmaking, not by in-house teams such as that which developed the Rockefeller Foundation's yellow fever vaccine 70 years ago.

Why are US foundations pre-eminent?

United States foundations are by far the most important in the development field. This is due first to their size and experience, since as previously noted, foundations tend to start locally and to extend their geographic reach as their resources and expertise increases. Size itself results from a number of

42. See www.pewtrusts.com/.

factors. The US economy is the largest in the world and presents the greatest opportunity for building personal wealth. Relatively low income tax rates further promote wealth accumulation. The use of personal wealth for charitable purposes is also promoted by the tax system. Some specific measures to stimulate private giving, especially for development, are mentioned in Box 6 and on page 48.

Underlying all these factors is a culture which emphasises individual achievement and fulfilment, but at the same time encourages the use of wealth for society's benefit rather than for building up family fortunes. Carnegie's *Gospel of Wealth* even promoted the idea that it was a disgrace to die rich. While modern US philanthropists rarely die poor, many of them still possess some of Carnegie's zeal for maximising the social utility of their wealth while they are still alive.

Box 5. Foundations and scientific independence: Richard S. Lindzen

Richard Lindzen is one of the world's leading atmospheric scientists. In the 1960s he proposed the still current explanation of the periodic oscillation of lower stratospheric tropical winds. He received support early in his career from Sloan Foundation, where Warren Weaver (Box 3) worked in the 1950s and 1960s, and he is now the Alfred P. Sloan Professor of Meteorology at the Massachusetts Institute of Technology. He was interviewed for this study in 2002.

"You have contributed regularly to reports of the Intergovernmental Panel on Climate Change (IPCC). Do you believe that climate change from greenhouse warming poses a serious threat to developing countries?"

Only if policies adopted by the developing world inhibit the development of these countries. As the IPCC itself noted, the primary way we will cope with warming, should it prove serious, is by adaptation. Societal wealth is a very good measure of adaptability.

What about knock-on effects such as sea-level rise, the spread of tropical diseases, or increased extreme weather?"

We are still uncertain of even the sign of any projected sea-level change. However, we do know that at any particular location, the causes of sea level change are largely distinct and larger than what might be caused by thermal expansion and glacial run-off. On small islands, heavy construction is a major cause of sea level change. Note that sea-level is a relative measure and depends as much on what happens to the level of land as on changes in the sea itself.

Again, with tropical diseases, climate is a minor factor compared to public health measures.

Finally, the physics of extreme weather suggests strongly that warming will be accompanied by a reduction of extreme variability. Recall that variability at any given location depends on the temperature difference between the tropics and high latitudes, which is projected to go down in the presence of warming.

Some people apparently find your views unorthodox. Do you think that your endowed professorship gives you greater freedom to speak your mind than might be available to a government researcher?"

Unquestionably. Even though we are dependent on government funding, our work is not subject to administrative approval."

Not everyone agrees that the vitality of the US foundation sector is a good sign. Some have seen it rather as the product of two regrettable features of the US economy: first, a highly unequal distribution of wealth; and second, inadequate government welfare provision. On this view, private philanthropy is more highly developed in the US mainly because adverse social conditions there

increase the need for it.⁴³ Whether one agrees with this as a general proposition, it is a statistical fact that in terms of aid per capita, the United States has for many years led the world in terms of private philanthropic contributions while coming last in terms of government spending.

The programmes of the largest US foundations active in development are outlined in Annex A. More detailed information on their activities is available in their annual reports, many of which are available online, and in standard compendia such as the Foundation Center's *International Grantmaking*, references to which are also given in the Annex.

Foundations in Europe

Although the Western tradition of foundations originated in Europe, they have been much slower to develop there in the twentieth century. The root cause is obviously the economic disruption and impoverishment produced by two world wars and the depression, which ruined many family fortunes. In the second half of the century, conditions were more stable and prosperous, and foundations re-emerged. But their size and scope are constrained by relatively high levels of personal taxation.

Cultural factors also play a role. Europe's taxes support a comprehensive social safety net, and many people feel that welfare should be provided by the state on the basis of objective needs criteria rather than through private means that may involve more or less arbitrary obligations to the giver.⁴⁴ The current trend seems to be towards greater encouragement of private philanthropy in Europe, especially through more positive and consistent taxation treatment in EU countries (see Boxes 6 and 7).

Foundations in Europe are generally under fewer obligations than those in the US to dissociate themselves from the companies that generated their capital. For example, the Carlsberg Foundation in Denmark now owns the whole of the Carlsberg brewing interests – which have also taken over their old rivals Tuborg, although there is still a separate Tuborg Foundation. In Germany, the Bertelsmann Foundation in 2002 still owned more than 70 per cent of the Bertelsmann AG publishing concern.

43. For example, two leading US researchers on the non-profit sector as a whole recently observed that: “[I]t is important to recognize that the nonprofit sector is only one possible embodiment of a society's ‘caring tradition’, and by no means necessarily the most significant one. In some places, the State has taken on the function of caring for those in need, while in still others business enterprises have assumed major caring responsibilities. Indeed, the presence of a strong voluntary sector may actually signify the absence, or weakness, of a caring tradition elsewhere in society or the resistance to alternative expressions of caring.” Lester M. Salamon and Helmut K. Anheier, “Caring Sector or Caring Society? Discovering the Nonprofit Sector Cross- Nationally”, *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, No. 17, Baltimore: 1994, p. 1; available at <http://www.jhu.edu/~ccss/pubs/pdf/caring.pdf>.

44. By contrast, Gertrude Himmelfarb has recently recalled with approval Tocqueville's championing of private charity precisely because, being individual and voluntary, it establishes a “moral tie” between donor and recipient. Tocqueville added that charity involved only a private and temporary acknowledgement of dependency, whereas government relief was “a notarised manifestation of misery, of weakness, of misconduct”. He saw English poor relief in the early 19th century – one of the earliest official welfare schemes – as creating a class where “the number of illegitimate children and criminals grows rapidly and continuously, the indigent population is limitless, and the spirit of foresight and saving becomes more and more alien.” Himmelfarb herself commends the sharp restrictions on official relief contained in the New Poor Law of 1834, which “had the salutary effect of stimulating private philanthropy”. See “The Past and Future of Philanthropy”, in *Giving Better, Giving Smarter: Working Papers of the National Commission on Philanthropy and Civic Renewal*, Washington, 1997, pp. 14-15.

Annex B to this study reviews the literature on foundations in Europe. The lack of any general reporting system and the differences in legal status and structure of foundations among European countries make it difficult to analyse their contribution to development in detail. A few large foundations stand out: GlaxoSmithKline and the Wellcome Trust in medical research; the Charities Aid Foundation, which both runs its own development and relief programmes and also helps establish new philanthropies; and various bank foundations, including the Fundacio La Caixa in Spain and the range of Deutsche Bank foundations in Germany.

Box 6. Foundations in France and *La Fondation de France*

Although Western foundations have their roots in Europe, the United States has long been pre-eminent in the size and reach of its foundations' activity. To some extent this is an inevitable result of the sheer wealth available in the world's largest economy. But government policy, social attitudes and taxation regimes also play a role.

In the 1960s, the French government launched an investigation into the reasons for the relative under-development of philanthropy there compared with the United States. The Culture Minister at that time was the famous adventurer, author and philosopher André Malraux. In 1965, Malraux sent one of his aides, Michel Pomey, to the USA to research the situation.

Pomey was impressed by the vitality of US foundations and proposed a series of steps to promote philanthropy in France. The centrepiece of his strategy was the creation of a "big foundation" to serve as a catalyst and intermediary between the government and private philanthropy. He raised 15 million francs from French financial institutions to establish the Fondation de France in 1969.

The Paris-based Fondation raises money direct from the public and makes donations to non-profit activities in the public interest. It also offers technical help in setting up non-profit associations, and sponsors research into private philanthropy as a flexible and responsive complement to government action.

Like most foundations, the Fondation concentrates on domestic problems. For example, its health programmes focus on autism, cancer and cardiovascular disease. But contributors can also earmark their contributions for "international solidarity", for which the Fondation annually invites funding proposals, especially from southern NGOs, in designated focus areas. Recent focus areas included relief work in Kosovo and assistance to cyclone victims in Central America. The latest programmes concentrate on vulnerable groups in North Africa and the Indian Ocean.

The Fondation finds some encouraging trends in French foundations. Charitable giving is increasing⁴⁵ and corporate foundations are interested in contributing to relief of global humanitarian crises.⁴⁶ Nevertheless, it notes that France "lags well behind other countries, both in the number of foundations and in their means". To further encourage foundation development, the Fondation joined with other French foundations in 2001 to create the Centre Français des Fondations, which will also be involved in moves to give foundations uniform legal status throughout the European Union.

Citing more favourable fiscal treatment of foundations in Germany and the United Kingdom, the Fondation de France has urged:

- Raising the rates and ceilings for tax-deductibility of contributions.
- Allowing deductions to be spread over a number of years.
- Permitting donations in the form of shares.
- Reducing taxes on foundations' own funds.⁴⁷

Another Fondation paper suggests simplifying the registration procedures for foundations, and replacing the present system under which government officials sit on foundation boards with more flexible post-hoc supervision.⁴⁸

45. "Actualité novembre 2002 : Les dons déclarés des Français en 2000" at <https://www.fdf.org/>: Observatoire du don.

46. "Nouvelles alliances dans la sphère privée : entreprises et ONG" at <https://www.fdf.org/>: Observatoire des entreprises mécènes.

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It is to be hoped the current interest in fostering private philanthropy in Europe leads to both an increase in foundations' activity in the development field, and a greater availability of comparable information on those activities. While the differing cultural links of the various European countries lead to some natural geographical specialisation (*cf.* Annex D), it would appear that many foundations from different European countries may be active in Africa and South Asia but with little mutual awareness of each others' activities.

Box 7. Foundations and the private sector in Spanish development co-operation

In recent years, European countries have taken an increased interest in the private sector's role in development co-operation, as the funding by Spain of this study testifies. In this 2002 interview conducted by Carlos Asenjo Ruiz, the Spanish Secretary of State for International Co-operation and for Latin America, Mr. Miguel-Angel Cortes, discusses his country's efforts in this area.

What is the share of the private sector in Spanish development co-operation?

In total, we estimate that the private sector channels more than one third of Spanish bilateral co-operation resources. This is done mainly through NGOs, although the foundations also channel a big part of the funds and there are other relevant agents as well, such as the corporations and the financial institutions. A dynamic private sector can make an important contribution to achieving social and economic development. This is why Spanish development co-operation has paid special attention to NGOs and foundations activities in developing countries.

In Spain there are about 3,000 active foundations, with nearly 10% of them focusing or involved in international cooperation activities on a regular basis. Foundations spend about 100 million Euros on co-operation, but this rises to 280 million Euros if NGOs are also included. Spain is thus among the main EU countries for private contributions to development cooperation.

What are the main changes introduced by the new Foundations and Patronage laws?

The Foundations Law will integrate in a single legal instrument the regulation of both state and autonomous foundations. It will allow foundations to hold and manage corporations when their activities are related to their foundational mission. It will also simplify budget and accounting forms, and improve the stability of the sector by establishing a 50,000 Euros minimum requirement to set up a new foundation.

The new Patronage Law foresees fiscal exemptions for activities such as education, health, environment, research and development, and cultural cooperation. Moreover, this new Law also implies further tax cuts for individuals making contributions to foundations. In particular, they will benefit from an increase of income tax concessions to 25% from the 20% they can deduct at present. Societies will benefit from a 35% tax deduction as well, along with an automatic exemption from other local taxes.

Both laws long been called for by Spanish society and foundations, and I believe they will be well received. They reflect more than three years of joint efforts with the Ministries of Treasury, Justice, Social Affairs, Education, and the Presidency, along with political parties and the associations of Spanish foundations. There will also be a new umbrella body, the Foundations Council, with representatives from the State General Administration, the Autonomous Communities and the foundations.

What foundation activities are expected to expand in the next few years?

I believe that all co-operation activities will experience a great impulse in the next years, although the expansion will possibly first be observed in some fields such as education, health, good governance, research or local development. This has been the trend of the last years and the new laws will allow a more efficient way of channeling the interest in international co-operation that the Spanish private agents have shown.

47. "Les fondations en France: Éléments d'introduction et perspectives" (January 2002) at <https://www.fdf.org/>; Observatoire des fondations.

48. "Développer les fondations en France: un impératif européen", *ibid.*, July 2001.

Foundations in Japan

Charitable foundations in Japan have largely emulated US models, but there are some interesting differences arising both from Japanese corporate culture and from the structure of remuneration and the tax system.

The first wave of foundations in Japan came during the 1920s. Following Bolshevik success in Russia and communist agitation in other Western countries the great conglomerates of this era, the *Zaibatsu*, feared the rise of Socialism in Japan. They created foundations, modelled largely on the Rockefeller Foundation, that concentrated on social work, hospitals, and the development of new technologies. A lasting monument to this period is the Institute for Materials Research at Tohoku University in Sendai. This had its origins in the Iron and Steel Research Institute established there with foundation help in 1919 as the first university research institute in Japan.

The four largest *Zaibatsu* were dissolved at the end of the war, and it was only after the 1951 Treaty of San Francisco re-established Japan's national sovereignty that the conditions emerged for the huge economic boom the country enjoyed up to the late 1980s. By around 1970 the major companies were again in a position to establish major foundations, and again felt under social pressure to do so. This time the companies faced popular resentment on account of health and environmental problems arising from industrial emissions: in particular, air pollution and the famous outbreak of mercury poisoning that came to be known as Minamata disease.

Again the United States provided models. By this time, the Ford Foundation was the largest in the world, and had a substantial programme of development-oriented activities in both the physical and social sciences and the humanities. The Mitsubishi Foundation, established on the company's centennial in 1969, and the Toyota Foundation (1974), drew particularly on Ford experience and provided models for other new or revived Japanese foundations.

The relatively high rate of marginal taxation in Japan, and the smaller disparity in salary levels in the workforce, preclude the amassing of personal fortunes on the immense scale that is possible in the United States. For this reason, most large Japanese foundations rely on corporation funds, and practically all big companies have foundations. Unlike US corporate foundations, however, they tend to avoid funding activities in their own business field.⁴⁹ Instead they fund a broad range of social and cultural activities, on similar lines to personal or family foundations in the United States.

49. Japanese foundations' avoidance of business-related themes is not without its ironies. In 1972, Nielsen's *The Big Foundations* had criticised US automobile industry foundations for not funding automobile-related research (*cf.* footnote 8). Perhaps taking this lead, the Toyota Foundation initially made such research a priority, and in its first year funded projects in traffic controls, bus transport, safe driving and air pollution. But the approach backfired. Instead of giving an impression of corporate social responsibility, it contributed to a perception in Asian countries that Japanese government, business and foundations were too closely allied. At the height of this discontent in the 70s, mobs jeered Prime Minister Tanaka on his overseas trips, and burnt down the Toyota office in Jakarta. After these experiences, Japanese motor company foundations withdrew from automobile-related research and started building up their own staffs of programme officers to assess projects rather than relying, as they often did in the early days, on the advice of government experts in selecting proposals for funding. *Cf.* Yuriko Hayashi, in *The Toyota Foundation Report for 1975*, p. 10: "... the basic rule was for Japan to follow the pattern of government taking the leadership -- so much so that it was not always necessary for a foundation to be on its own and government experts played the role of program officers." Toyota's sister foundations in Asian countries, however, still finance school instruction in road safety.

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There are, however, some personal foundations established by the founders of particularly successful companies. For example, Kazuo Inamori, the founder of the Kyoto Ceramic company (now Kyocera Corporation) made a substantial fortune in Japan's electronics boom, and established the foundation which bears his name in 1984. It awards the prestigious Kyoto Prizes in Advanced Technology, Basic Sciences and Arts and Philosophy. There is no special focus on development problems, although several prize winners have been in developmental fields and the foundation also has a grant programme for Japanese students aimed in part at promoting international understanding.

Another prominent Japanese philanthropist was Ryoichi Sasakawa, a controversial figure who founded a fascist political party in 1931 and was imprisoned from 1945 to 1948 in relation to war crimes in China. Sasakawa devoted the latter part of his life to philanthropy and funded numerous initiatives to promote international understanding, including personal contributions to the World Health Organisation and setting up several international foundations. One of these was the Sasakawa Africa Association, which with the support of former US President Jimmy Carter and Norman Borlaug – both winners of the Nobel Peace Prize – has promoted crop development and agricultural extension work especially in West Africa (see the section on the Green Revolution in Chapter 2).

Japan has a large official aid programme, roughly equal to that of the United States during the 1990s. By contrast, the resources available to foundations are small, especially with the low interest rates and investment returns in Japan in recent years. In their overseas work, foundations therefore concentrate on niches outside the priorities of the official programme. Their activities include support for archaeological investigations (including at Angkor Wat) and local history and language projects in other Asian countries. For example, the Toyota Foundation financed the first dictionary of the Lao language and the microfilming and preservation of traditional Lao manuscripts written on palm leaves. The project leader of the latter activity, Mrs Dara Kanlaya, won the 1996 Nikkei Asia Prize for Culture for her work.⁵⁰

Foundations in other Asian countries

Information on the activities of foundations and the non-profit sector generally in the rest of Asia is hard to come by. Annex C to this study reviews the available literature and comes to the conclusions that:

- Practically all charitable giving in developing Asian countries is local or national in character.
- The bulk of such giving is for religious causes. On the other hand, religious organisations are also the source of much social welfare assistance.
- The charitable sector in Asia generally faces an unfavourable policy environment, ranging from outright government control of its activities, to a lack of legal recognition and incentives in the tax system.

50. See www.nni.nikkei.co.jp/FR/NIKKEI/inasia/prizes/1996/96da.html.

CHAPTER 4

FOUNDATION INNOVATIONS IN DEVELOPMENT

Although critics following Nielsen have often characterised foundations as timid in their grantmaking, the sector continues to be a source of innovation. This is not surprising since new fortunes are always being created, and the people who make them bring new ideas and methods, drawing on the lessons of their business success.

This chapter will concentrate on current foundation initiatives of particular interest from a development point of view. It spotlights some key innovations under two broad headings: funding and organisational mechanisms, and new areas of intervention.

Funding and organisational innovations

Public/private partnerships

There is a long history of foundation initiatives being gradually broadened or expanded through government funding. The term “public private partnership” is often applied to such arrangements, and there seems to be increasing recognition of the potential synergies between public and private efforts in combating the most serious development problems (*cf.* Box 8).

In stricter usage, the term “public private partnership” is applied to combining the results of company research with foundation and public money to try to overcome the commercial obstacles to the introduction of new technologies. One recent example is the battle against witchweed (striga), a parasitic plant that drastically reduces maize and other crop yields in sub-Saharan Africa. Spraying and other methods were costly, only partially effective, and had to be repeated for each crop. A completely new method, developed in public-private collaboration, has dramatically improved prospects. The key actors were the Kenyan office of the International Wheat and Maize Improvement Centre (CIMMYT – whose early history is given in Chapter 2), the seed company Pioneer, and the chemical giant BASF. Pioneer had developed a non-transgenic maize variety that was resistant to the BASF herbicide imazapyr. CIMMYT researchers found that coating these maize seeds with minute amounts of imazapyr prevents the striga parasite from entering the seed. The maize grows normally and striga is virtually eliminated. Further work is needed to extend this technology to other crops and growing regions.⁵¹

To stimulate such collaboration, foundations have recently been promoting specific models of public-private partnership which aim to provide a commercial incentive towards finding new tools for combating hunger and disease in developing countries.

The Rockefeller Foundation has been a prime mover in the partnerships. Its staff noticed some years ago a declining interest in bringing to market new crops and drugs tailored to developing country needs. The problem is that the poorer the community, the lower is the effective demand that they

51. For details, see www.cimmyt.org/Research/Maize/results/striga/control.htm.

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exercise over the market for such products. Put another way, drug, seed, and other companies are unlikely to be able to turn a profit from the development of products for the world's poorest people. One example was that, as recently as the late 1990s, there were no active development programmes for anti-malarial drugs among the major pharmaceutical conglomerates.

On the other hand, many companies had conducted research - to which they still held the intellectual property rights - into potentially useful new products. Rockefeller's catalytic role started with persuading these companies to turn over their results to a new partnership that would be set up with the aim of bringing at least some of them into eventual use. Several large companies have responded positively, donating their research and expertise either free, or in return for a share of any eventual profits. Public private partnerships also include direct provision of intellectual property, *e.g.* through The Essential Electronic Agricultural Library (TEEAL) and the Health InterNetwork Access to Research Initiative (HINARI).

The next step is to conduct an economic analysis of the potential product and if it proves favourable to set up product development groups on business lines, with a board, CEO and business plan. Here several official aid agencies have already contributed towards set-up costs. In the last five years, over 20 companies have been capitalised in the pharmaceutical field alone, and as of late 2002 there were 14 candidate drugs for malaria alone.

The same basic concept has been applied in the agricultural field, although here there are some interesting complications that arise from the fact that of the five major biotechnology firms, four also have agricultural chemicals divisions. Since new crops often require less pesticide and fertiliser – chemical use has dropped dramatically with the introduction of Bt maize and cotton in particular – the companies may face some difficult commercial choices in developing the two sides of their business.

Whether public-private partnerships ultimately make a major contribution to development remains to be seen. Their proponents in the Rockefeller Foundation and elsewhere can point to several positive indications:

- The partnerships are not starting from zero, but are rather developing ideas which have already shown promise. Since the fruits of earlier research are typically being made available either free or for a share of any eventual profits, the partnerships are not weighed down by up-front costs or the need to service borrowing.
- Compared to publicly funded research, the profit motive provides an additional incentive for project success, and a discipline against possible wasteful use of funds on ideas which prove unviable. While public funding has proved effective in spreading the benefits of existing technologies (*e.g.* through the CGIAR system as it has existed since the 1970s), private financing (including foundation support) seems to have a better track record of successful innovation.
- If a new crop or drug proves efficacious, and aid agencies see it as cost-effective, then their purchases may be sufficient to ensure commercial viability.
- Commercial firms have a public relations interest in assisting such ventures, and have shown willingness to help make them a success.

On the other hand, some governments in European countries remain sceptical of the potential of public-private partnerships. They are wary of the ethical implications of allocating taxpayers' money in support of activities which if successful will result in private profit. They are also concerned that potentially vital development technologies may remain in private hands over periods of decades.

Which of the hopes or fears for public-private partnerships will be borne out by experience remains to be seen. However, given the losing battle currently being fought against several major diseases, and continuing food shortages in sub-Saharan Africa, it is hard to imagine that there is much to lose in trying new mechanisms to speed the search for solutions.

Public foundations

This study has focused on privately financed foundations with a substantial capital base. Of course there are gradations both within and between countries in the nature of foundations, and of their legal and financial footing. One variant that straddles the categories of foundation and non-government organisation is sometimes referred to as a public foundation: an incorporated entity with substantial institutional support but which relies mainly on voluntary public subscription to fund its operations.

Public foundations depend for their success on mobilising popular support. They are accordingly more forthcoming about their activities, and their campaigns have the potential to improve public awareness about development issues.

A good example is the Japanese organisation known as Postal Savings for International Voluntary Aid.⁵² This was set up by the Japanese Post Office in 1991. Holders of postal savings accounts were invited to earmark a share of their interest earnings to a fund for development purposes. There has been huge interest in the scheme, and in 2001 there were 26 million contributing accounts. Unfortunately, however, the interest rates payable on such at-call funds in Japan have sunk to historically low levels – 0.02 per cent in 2001 – so that in recent years only a few million dollars has been available for distribution.

Still, the allocation process is adapted to small-scale grassroots projects, with a typical value of \$10 000 to \$100 000. Applications are invited from NGOs with an office in Japan and a presence in the field. The Ministry checks with the Foreign Ministry that the NGO is active, and the applications are then considered by the Postal Services Council. Favoured sectors of intervention include schools, health, refugee and environmental aid, and improving the financial independence of women or farmers. The Minister in charge of the postal service approves the list of successful applications, which is then published in the official gazette.

One of the best-known public foundations in the development field is the Carter Center founded by former US President Jimmy Carter and his wife Rosalynn. The Center is based on the campus of Emory University in Atlanta, Georgia, and has an annual budget of \$35 million. The Center has provided an institutional base for the former president's efforts to resolve conflicts (including lengthy efforts over the war in southern Sudan) and to promote democratic development. There are also substantial programmes against relatively neglected diseases endemic in Africa, such as guinea worm, river blindness and trachoma. Carter's support has also helped raise the profile of the Sasakawa Foundation's efforts to improve crop yields in west Africa.

Accepting the Nobel Peace Prize in 2002, Carter reiterated his view that the disparity between rich and poor lay at the root of key global problems such as hunger, illiteracy, preventable disease and violent conflict. In a reminder of the motivations of many philanthropists, Carter averred that his action sprang from religious precepts, while conceding that these could also be abused:

52. www.yu-cho.yusei.go.jp/volunteer-post/english/a1-1-1.htm

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“The unchanging principles of life predate modern times. I worship Jesus Christ, whom we Christians consider to be the Prince of Peace. As a Jew, he taught us to cross religious boundaries, in service and in love. He repeatedly reached out and embraced Roman conquerors, other Gentiles, and even the more despised Samaritans.”

“Despite theological differences, all great religions share common commitments that define our ideal secular relationships. I am convinced that Christians, Muslims, Buddhists, Hindus, Jews, and others can embrace each other in a common effort to alleviate human suffering and to espouse peace.”

Box 8. Clean water for West Africa

The World Health Organisation estimates that 1.2 billion people lack a reliable supply of clean water, and 2.4 billion have inadequate sanitation. The human toll is almost unimaginable: 250 million cases of water or cleanliness-related illness per year, resulting in about 5 million deaths. The causes of death include diseases such as guinea worm, river blindness (onchocerciasis), schistosomiasis and trachoma. The populous, low-rainfall, low-income countries of West Africa are particularly affected.

Since 1990, the Hilton Foundation has been supporting a World Vision programme to improve water supply in the poorest regions of Ghana, where guinea worm is endemic. The Hilton Foundation was set up in 1944 by the hotel magnate Conrad N. Hilton, and is one of the few medium-sized foundations with a strong emphasis on international development. It has a special focus on trachoma control and treatment and in recent years has awarded an annual humanitarian prize of \$1 million, most recipients being medical or welfare initiatives in developing countries. World Vision is a Christian charitable organisation focusing on humanitarian aid, particularly to children.

By 2002, the World Vision/Hilton initiative had sunk over 1100 wells, serving several hundred thousand people. At the World Summit for Sustainable Development in Johannesburg in that year, the Hilton Foundation and USAID announced a new public-private partnership to extend the programme to new areas in Ghana, as well as Mali and Niger. As of 2003, there were 12 participating partners in the West Africa Water Initiative (WAWI), including UNICEF, WaterAid, several NGOs and academic institutions, and the World Chlorine Council, an industry group that (with the Vinyl Institute) will be providing PVC piping and other assistance to project partners.

Experience from this partnership may help guide other water aid programmes, including the large new EU Water Initiative. A key lesson from the Hilton/World Vision programme to date is the importance of adequate maintenance. This requires both commitment from the local population and authorities, and continuing back-up from World Vision, which has undertaken to maintain a presence for 10-15 years after new facilities are brought into operation.

One difficulty in expanding programmes of this kind is the increased co-ordination required when more actors become involved. Each of the 12 partners has a clearly defined role in the partnership, but efficient integration of their efforts poses obvious logistical issues, especially in poor areas of countries with limited transport and communications infrastructure. World Vision will house a secretariat in Accra to oversee on-the-ground operations in the three target countries. Partner organisations will also coordinate at the headquarters level to maximise the strategic effectiveness of the alliance.

In the long run, sustainable water supply depends on secure financing. To achieve this, some middle-income countries are moving towards greater cost recovery from consumers, while some OECD countries are privatising water services.⁵³ But it is difficult to see how market forces can be brought to bear on the problem of providing clean water in areas where there is essentially no monetised economy. It is precisely in these areas that human needs are greatest and where progress may depend crucially on effective co-ordination of official and private aid efforts, and on the moral commitment of technical and managerial staff willing to spend long years working in dangerous and destitute areas of the world.

53. See *Improving Water Management: Recent OECD experience*, OECD, 2003.

“But the present era is a challenging and disturbing time for those whose lives are shaped by religious faith based on kindness toward each other. We have been reminded that cruel and inhuman acts can be derived from distorted theological beliefs, as suicide bombers take the lives of innocent human beings, draped falsely in the cloak of God's will.”⁵⁴

Prizes, grants and scholarships

Individual awards are a traditional form of philanthropy. Scholarship schemes are traditionally aimed at able students who lack the means to fund an advanced education and in recent decades students from developing countries have increasingly benefited from privately financed scholarships either from foundations such as the famous Cecil Rhodes Trust in the United Kingdom, or from grants by individual universities. Handling applications for scholarships and research grants forms a major part of the day-to-day work of many foundations. Nevertheless, the business of applying for foundation assistance has evolved considerably over recent decades. Foundations generally have a sharper focus on specified areas of interest, and foundation centres now publish compendia of “grant-makers” to guide applicants to the most likely sources of funding.

The larger foundations such as Ford and Rockefeller have tended to integrate their grant and scholarships awards into targeted programmes of assistance that also include institutional and technical support and which are carefully managed over a period of years by expert programme officers. Smaller foundations may offer more responsive *ad hoc* awards in the sector and region of their interest.

Prizes can be a useful means of both rewarding achievement and drawing public attention to a problem. A good example in the development field is the World Food Prize, an annual cash award currently valued at \$250,000. This was inaugurated in 1986 to recognise contributions towards “improving the quality, quantity or availability of food in the world”. The Prize was inspired by Norman Borlaug and since 1990 has been financed by the transport magnate John Ruan (see Box 9). It receives wide press coverage and spotlights advances in gene technology, pest control, crop and land-use practices and economic incentives that offer higher yields of staple foods. Winners have come from countries around the world.⁵⁵

Similarly, the Bertelsmann Foundation in Germany has since 1988 awarded the annual Carl Bertelsmann Prize “to recognize innovative and exemplary solutions to societal problems”. The Prize includes a donation of 150,000 Euros. In 2001 it was shared by five personalities from Poland and Bolivia who had made outstanding contributions to democratic transformations in those countries. In 2002 it was awarded to Transparency International, the anti-corruption watchdog organisation.⁵⁶

New areas of intervention

Empowerment and democratic development

Programmes in participatory development and good governance have increased in importance in official programmes, especially since the collapse of Communism in eastern Europe. But the political dimension of official programmes inevitably imposes some constraints. Prime emphasis has been on providing technical help to improve the efficiency and transparency of government, or to implement

54. www.cartercenter.org/viewdoc.asp?docID=1118&submenu=news.

55. www.worldfoodprize.org/Laureates/laureates.htm.

56. Details are on the Bertelsmann Foundation's website: www.bertelsmann-stiftung.de/.

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measures to which the recipient government has already subscribed, such as improving election procedures or incorporating the provisions of international human rights instruments into national law. Foundations have somewhat more liberty of action in democracy-building activities, although they must still maintain sufficient trust with host governments to allow them to continue to function.

Some of the boldest empowerment projects have been undertaken by the Ford Foundation. They build on its experience with community action experiments among deprived urban environments in the United States in the 1960s. These aimed at reducing the social exclusion of slum dwellers by improving schools and mobilising federal funds for job training and education programmes. There was considerable emphasis on “demonstration projects”, where resources and social science expertise were concentrated on one community. Opinions differ on the success of these activities. They undoubtedly stimulated anti-poverty action by the US federal government, including the Economic Opportunity Act of 1964, but were also once described in a study funded by the Ford Foundation itself as “a grandiose fusion of paternalism and bureaucracy”.⁵⁷

The broad aim of the Ford Foundation’s current socially-oriented programmes in developing countries is to promote a democratic global civil society. Various Ford programmes work on developing networks and coalitions both in broad fields such as labour and the environment, and on specific issues such as landmines, HIV/AIDS and TRIPS. Apart from the specific objectives of such coalitions, their action and interaction is also intended to promote citizens’ participation and deepen democratic infrastructure in partner countries.

One example is the International Budget Project (IBP), which aims to improve the transparency of and accountability for budget decisions in developing and transition countries. This again had its origins in a domestic Ford Foundation activity, the Center on Budget and Policy Priorities, which was then extended to the Latin America in the form of the State Fiscal Analysis Initiative, and has now been expanded world-wide. Most budget documents are virtually inaccessible to interest groups and the public, because of their technical complexity, obscurity, or simple lack of availability. The IBP aims to “decode” national budgets to allow and promote structured intellectual debate on the allocation of public resources.

There is naturally some reluctance on the part of governments to lay themselves open to increased scrutiny, criticism and pressure in their resource allocation decisions. But individual members of parliament in developing countries have often found the process useful in increasing accountability and making sure that governments seek legislative authority for significant changes in budget commitments. Ford staff also believe that the IBP is increasing the public’s awareness of the constraints that governments face from the international financial community in framing their decisions.

The IBP is a typical example of foundations’ ability to break new ground with “action projects” aimed at social transformation. Such projects have often provided models for broader-based government interventions, and progressive commentators such as Nielsen have seen them as expressing the potential for experimentation offered by the availability of private philanthropic capital. Less radical observers, such as Weaver, have warned against the dangers of action projects, including tendencies towards social engineering, the promotion of dependency, or the creation of islands of privilege. Foundation project officers who work in the hard sciences are also inclined to question the long-term contribution of social action projects. Applying their own focus on measurable results, they

57. Charles E. Silberman, quoted in Alice O’Connor, “The Ford Foundation and Philanthropic Activism in the 1960s” in Lagemann (ed.), p. 180 – see full reference in Box 1.

are tempted to challenge such projects with the question: “How will you know when you have finished?”

Box 9. Becoming a philanthropist

John Ruan is the Chairman and sponsor of the World Food Prize Foundation, which recognizes and publicises achievements in improving the quantity and availability of food, especially in developing countries.⁵⁸ Mr. Ruan is a successful entrepreneur who built a substantial transport business and then an international trading company. In the following interview conducted for this study in 2003, he briefly explains his philanthropic activity.

“When and why did you become a philanthropist?”

My interest in philanthropy began when my wife was diagnosed with Multiple Sclerosis approximately 45 years ago. At that time, I began to support MS research and development. Subsequently, I focused this support on Des Moines by building a neurological wing at a local hospital. I also supported Iowa State University where I had attended college for one year, before being forced to drop out because of the Great Depression. I strongly believe in supporting my home state, Iowa, and the City of Des Moines. Then, in turn, more support will come out of Iowa for international programs.

Why did you decide to sponsor the World Food Prize?

As I saw more and more farmland taken out of production by urban sprawl and, at the same time, the global population growing, I became concerned if the world would be able to feed itself in the future. I believed Iowa could and should do more to alleviate food insecurity in developing countries. I felt a kinship with Norman Borlaug, (we were both born in 1914, were reared in small-town Iowa, and have the same concerns about world hunger). When Dr. Borlaug approached me to rescue The World Food Prize, it seemed to be a perfect fit.

What advantages or special contributions can private philanthropy bring to international development, as compared with official government programmes?

It takes support from both sectors to make an impact. They can complement each other in a common cause. It is not possible for governmental support to carry the load. The private sector can and should do more.

Which of your philanthropic initiatives has given you greatest satisfaction?

The World Food Prize, because of the increased awareness our \$250,000 Prize brings to the issues of hunger and malnutrition on a global basis; the exchange of ideas that comes out of our International Symposia held in Des Moines each October; and the education of our young people through our Global Youth Institute. Our intern program for high school students in Asia, Africa and Latin America inspires them to seek careers in areas where they can make a difference.

Do you have any advice for high-wealth individuals who are considering becoming philanthropists?

Become personally involved and committed to the cause, not just through financial support, but by becoming a leader and educating yourself and others to promote solutions.”

The largest foundations now concentrating on international democratic development are the autonomous Soros Foundations now present in about 30 countries, and the Open Society Institute (OSI), which acts as their parent body. These were founded by the Hungarian-born financier George Soros. Their stated aims are as follows:

58. See Chapter 4 and www.worldfoodprize.org/.

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The goal of the Soros foundations network throughout the world is to transform closed societies into open ones and to protect and expand the values of existing open societies. The concept of open society is, at its most fundamental level, based on the recognition that people act on imperfect knowledge and that no one is in possession of the ultimate truth. In practice, an open society is characterized by the rule of law; respect for human rights, minorities, and minority opinions; democratically elected governments; a market economy in which business and government are separate; and a thriving civil society.⁵⁹

The Soros philanthropies initially focused on eastern Europe, supporting independent media, and supplying basic equipment like photocopiers to improve the distribution of information. Programmes have since been extended to south-east Asia and west and southern Africa. The OSI has undertaken research and made specific recommendations on the problem of Burmese refugees in Thailand, and supported HIV/AIDS programmes in many parts of the world. The Soros philanthropies have also published interesting discussions by experts on the functioning of truth commissions in several countries and the similarities and differences between democratic transitions in eastern Europe and southeast Asia.

The initiatives retain some of the libertarian orientations of Soros' former teacher Karl Popper, from one of whose works the OSI derives its name. For example, the OSI study of Burmese refugees demands that mandatory HIV/AIDS tests be abandoned⁶⁰, while programmes of "harm reduction" from illegal drugs in several countries follow Soros' idea that a strategy of legalising but stigmatising drug abuse would be more effective than current enforcement approaches.

Information and Communications Technologies (ICTs)

Foundations have also taken a leading role in promoting the benefits of new technologies in developing countries. For example, the Markle Foundation in collaboration with UNDP has organised the Global Digital Opportunity Project (GDOP), a public-private partnership between these two bodies and a range of international organisations, companies and educational and research bodies. The Carnegie Corporation, one of the oldest of the large US foundations, is represented on the GDOP Steering Committee. Through its Policy Co-operation Project, Markle is also involved in strengthening developing countries' capacity to participate in international policy-making on ICT. Markle had been the US non-profit member of the G-8 Digital Opportunity Task Force (DOT Force).

The GDOP has an ambitious and wide-ranging agenda, covering:

- Help to selected developing countries in formulating and implementing ICT strategies, including the creation of demonstration models and analytical tools to spread the benefits of ICTs to other countries.
- Support for the enhancement and implementation of ICT strategies, by attracting partner resources to execute priority activities.
- Developing policy proposals and stimulating new partnerships to harness the benefits of ICTs for development.

While the Project is clearly an example of public-private partnership, it differs from the virtual companies set up to develop specific crops or medical treatments in that there is no profit incentive or

59 . www.soros.org/

60 . www.soros.org/publications/burma/executive.pdf

attempt to secure proprietary rights for innovations. In a similar spirit, a consortium of foundations known as the TechFunders Collaborative has organised major “Summits” to share knowledge and best practices on private philanthropic efforts to promote the effective use of ICT by non-profit organisations both in the USA and abroad.⁶¹

61. See www.techfunders.org for details.

CHAPTER 5

CONCLUSION

The financial scale of foundation action in the development field – roughly \$3 billion per year – while substantial, is a small fraction of the amount allocated by official agencies. Nevertheless, the contribution of foundations to development has been significant in many fields and crucial in some. Indeed a few of the most successful foundation programmes – particularly in crop research and infectious disease control – have improved the lives of hundreds of millions of people.

The most successful foundation initiatives in development share a few basic characteristics:

- They have been *long-term* programmes, where efforts have typically been sustained for 15 to 25 years. This demands commitment and staying power on the part of foundation boards, as well as patience in the early stages when structures are set up but when results may seem far away.
- Their planning has combined *vision* with *sound scientific understanding*. The best foundations have consistently recruited as programme officers experts with a high level of formal qualifications as well as extensive field experience and organisational ability. These officers maintained an extensive professional network so as to be able to draw on the most suitable expertise.
- Project execution emphasised the *building of trust and respect with local authorities, technical staff and populations*. Activities did not attempt social engineering, but built on participants' own willingness to participate.
- The initiatives were bold, and involved *accepting a certain risk of failure* – a point which, for example, the Carter foundation still gives as one of its guiding principles.

There are clear limits to the extent that bilateral aid agencies can reorient their modes of operation to capture the benefits of these lessons of foundation activity. For one thing, the supply of outstanding but feasible ideas is extremely limited. Then there is the fact that engaging in long-term projects runs counter to the need for governments to show results within the electoral cycle. Finally, high-risk projects, even if they potentially have high returns, are unlikely candidates for official funding, because of the danger that either real or apparent failure will result in charges of wasting taxpayers' money on "white elephant" schemes.

But there are perhaps certain measures and disciplines suggested by the best foundation projects which bilateral agencies might consider when undertaking institutional or procedural reforms, *e.g.*:

- Making a serious commitment to science and technology for development by establishing means to tap the best available scientific advice at an early stage in the development of major new programmes. Some useful suggestions along this line were made in the World Bank's *World Development Report* for 1999-2000.

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- Bringing more rigour to the assessment of “soft” projects aimed at behavioural change or “social engineering” by developing and applying means to evaluate their economic and social rates of return. While it is often stated that not all benefits can be reduced to money terms, appraisal techniques should concentrate on making both the costs and benefits of social action projects more explicit, and providing realistic and verifiable tests of success.
- Improving knowledge of current foundation activities that might be suitable for extension using official funds. Foundations’ strengths are in developing and pioneering new initiatives, but they often lack the resources and standing to secure speedy and widespread uptake of the new products or techniques they have proven. Agencies might consider appointing a senior advisor to management who would regularly review the current work of foundations and development think-tanks and convey useful lessons and ideas for consideration.

Measures may also be needed to improve the operating environment for foundations, and encourage them to focus on development problems. If given the right conditions, foundations can provide an incubator for new development ideas. They can also provide a testing ground that enables those ideas to be proven in practice before being more widely implemented through government programmes. Possible means of promoting these aims are suggested by the existing framework in the United States, which accounts for the bulk of foundation activity, and by the recent initiatives and proposals in France and Spain that were discussed in Chapter 3. They include:

- Tax “carrots” such as tax deductions for businesses and individuals that contribute to foundations, exemptions for foundations from corporation tax, and privileged tax status for foundation employees posted to developing countries.
- Tax “sticks”, such as the existence of wealth and estate taxes, that provide incentives to charitable giving during the lifetime of high-wealth individuals.
- Foundation Councils or similar umbrella bodies that enable representatives of foundations, government representatives and senior researchers on development problems to discuss new ideas and how they could best be pursued.

One cannot ignore dangers inherent in using public funds to broaden the implementation of ideas or programmes generated by foundations. The supply of expertise is limited, ideas can become fixed and expansion can imply more bureaucracy and less practical action. The use of public funds requires public accountability, with the risk that minority lobbies can target particular issues and side-track initiatives that have broad but unexpressed public support.

Even so, the record shows that foundations have frequently been the source of initiatives that have had major developmental benefits, especially when expanded through official funding. Indeed it could be argued that the possibilities for failure only increase the need for as many fresh ideas and new approaches as possible. Development is difficult. At a time when initiatives such as the Millennium Development Goals have given a clearer view than ever of the tasks ahead, but when funding remains severely constrained, it is all the more important to maximise foundations’ potential to offer innovative solutions.

ANNEX A

INTERNATIONAL GRANTMAKING BY US FOUNDATIONS

A Report by The Hudson Institute

Carol C. Adelman, Dr. P.H., Senior Fellow

Ronen Sebag, Research Fellow

The rise in U.S. foundation international giving is a recent phenomenon. In the 1980s international grants were just 5 per cent of total giving. During the 1990s this more than doubled to an estimated 11 per cent.⁶² The share grew with the end of the Cold War, a strong US economy, the explosion in information and communications technology, and the rise in global democracy, producing local NGOs and entrepreneurs. Private foundation giving abroad is shaping the political and economic landscape of developing countries in important ways. This report looks at how much is being given, to which countries, and in which sectors. Finally, the key activities of some of the leading foundations are highlighted.

U.S. foundation international giving by amount

Between 1990 and 2000, total giving by U.S. foundations more than tripled from \$8.8 billion to \$27.6 billion. In the same period international giving nearly quadrupled from \$0.8 billion to \$3.1 billion. A large portion of this growth occurred between 1998 and 2000, as international giving almost doubled. The number of foundations has nearly doubled from 32,401 in 1990 to 56,582 in 2000.

Table 1. Number of U.S. foundations, total and estimated international giving⁶³

(US \$ billions unless otherwise shown)

Year	Nos. of Foundations	Total Giving	International Giving	International as % of Total
2000	56,582	27.6	3.1	11.2%
1998	46,832	19.5	1.6	8.2%
1994	38,807	11.3	1.0	8.8%
1990	32,401	8.8	0.8	8.7%

62. Based on actual data from a sample of 1,015 larger foundations in 2000. However, international giving as a percent of total giving was higher, 16.3%. Source: Foundation Giving Trends – Update on Funding Priorities. The Foundation Center, 2002, p. 23

63. **Table 1** provides aggregate financial information on the 56,582 active independent, corporate, community, and grantmaking foundations in the U.S. Estimates on international giving are based on the percent of international giving of a sample of foundations as a proportion of total giving reported by all foundations. Source: Grantmaker Information, Foundation Center Statistics. http://fdncenter.org/fc_stats/grantmakerinfo.html, October 2002, and International Grantmaking II, The Foundation Center, 2000, p. 15.

U.S. foundation international giving by regions

International giving by U.S. foundations includes grants made to U.S. organisations carrying out work in developing countries and direct grants, either to recipients in developing countries or other overseas organisations. Traditionally, U.S. foundations have conducted more of their international grant making through U.S. groups. In the late 1990s U.S.-based recipients received 60% of total international giving.⁶⁴ However, with the growth of indigenous NGOs and international organisations, overseas direct grants have risen. How much of U.S. grantee international funds remains in the U.S. or spent overseas is difficult to determine.⁶⁵

Table 2. Percent of dollars and grants from U.S. foundations to major regions, 2000⁶⁶

Region	Percent of Dollars	Percent of Grants
Western Europe	43.7	17.6
Sub-Saharan Africa	14.6	18.1
Asia and the Pacific	14.3	2.1
Latin America	12.8	17.5
Canada	5.6	8.2
Eastern Europe, Russia, and Independent States	4.8	8.5
North Africa and the Middle East	3.6	6.2
Caribbean	0.5	1.7
Total	100.0	100.0

As seen in Table 2, Western Europe is the largest recipient of U.S. foundation international giving. However, much of this funding supports programs in the developing world. For example, the Bill and Melinda Gates Foundation pledged \$210 million in 2000 to the Gates Cambridge Trust in England to endow a global scholarship program that will benefit people in developing countries.

64. International Grantmaking II, The Foundation Center, 2000. p. 47.

65. Precise data on program vs. overhead costs are not readily available. Using program and overhead comparisons as well as where money is spent is also not sufficient in judging whether or how much a grant contributes to goal of the grantee. Three elements should be considered: 1) overhead and operating costs are a legitimate and integral part of any grant and should not be considered separately; 2) most foundations require that these costs do not take a portion larger than 12-15% of the grant; and, 3) these costs are usually higher than 15% of the program budget and need to be covered by separate unrestricted grants.

66. The data in **Tables 2, 3, and 4** are based on actual individual grant records of \$10 000 or more awarded by 1015 of the top U.S. foundations in 2000. The database includes a diverse sample of larger independent, corporate, and community foundations. These unique grant records provide the basis for detailed investigations of giving patterns by subject area, type of recipient, geographic location, type of support, and population group. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file. Grants to overseas recipients, *e.g.*, in Europe, may be for programs in other countries or regions. Source: The Foundation Center, 2002 and Foundation Center Study for Hudson Institute, October 2002.

Another grant of \$50 million to the World Bank is supporting the Global Alliance for Improved Nutrition (GAIN), in the developing world.

Africa, Asia and Latin America receive approximately the same per cent of international funding by U.S. Foundations, although the number of grants is considerably lower in Asia than in the other regions. U.S. foundation grants are fewer in number to Asia, but larger in dollar amount, as is the case with grants to organisations in Europe. Of the developing countries, some of the largest recipients are South Africa, Mexico, India, the Philippines, Brazil, China, Kenya, and Chile.⁶⁷

U.S. Foundation international giving by sectors

International giving by sectors is presented for 2000, the latest available data, including grants of \$10 000 or more from the sample of 1,015 larger U.S. foundations (see Annex A).⁶⁸ The largest amount of international giving, \$994 million or 39 per cent of the total, goes to health and family planning. Within the health sector, family planning accounts for the single largest amount of funding in any sector, representing almost one-third of all healthcare giving and 13 per cent of all international giving. The second largest sector is education, receiving some \$336 million in grants. Of this, graduate and professional training account for the vast majority of international grants by U.S. Foundations, or 73 per cent.

The third largest sector is international development and relief, of which community and economic development constitutes 34 per cent. The environment, international peace, and foreign policy activities follow these other sectors in amount of international funding. For more details, see Annex A which provides all the major sectors, broken down by sub-categories.

Leading U.S. foundations in international giving

The following 15 foundations account for \$1.9 billion or 61 per cent of total international giving. While these international grants in table 3 are for only 2000,⁶⁹ most of these foundations fall in the top fifteen of total international giving over the last three years as well. Foundations with historically large international giving that are not in the 2000 list include the China Medical Board of New York, the Rockefeller Brothers Fund, the Koch Foundation, Burroughs Welcome Fund, the W. Alton Jones Foundation, and The AVI CHAI Foundation.

67. Grants for foreign & international programs by recipient country. Grants for Foreign and International Programs, The Foundation Center, 2001/2002, P x (Introduction).

68. Statistical update and analysis conducted for the Hudson Institute by the Foundation Center, New York, October 2002.

69. Statistical update and analysis conducted for the Hudson Institute by the Foundation Center, New York, October 2002.

Table 3. Total and international giving as per cent of total, 2000
(US\$ millions unless otherwise shown)⁷⁰

Foundation	Total Giving	International Giving	International Giving as % of Total
Bill and Melinda Gates Foundation	995	929	93
The Ford Foundation	829	339	41
The David and Lucile Packard Foundation	429	137	32
The Rockefeller Foundation	127	121	95
John D. and Catherine T. MacArthur Foundation	164	73	44
The William and Flora Hewlett Foundation	136	47	35
The Star Foundation	246	41	17
The Andrew W. Mellon Foundation	182	40	22
Charles Stewart Mott Foundation	140	35	25
W. K. Kellogg Foundation	179	35	19
Open Society Institute	155	26	16
The Freeman Foundation	68	24	35
Carnegie Corporation of New York	56	23	41
Turner Foundation, Inc.	44	21	48
The Harry and Jeanette Weinberg Foundation	103	20	19

The following information is illustrative of some of the larger U.S. foundation programs, their regional focus, and funding trends.

The **Bill and Melinda Gates Foundation** international giving continued to increase in 2001 and surpassed \$1 billion.⁷¹ The foundation devotes 93 per cent to international activities, one of the highest of all the large foundations. Its major focus is global health,⁷² and in 2001, grants to health projects were 75 per cent of all international giving.⁷³ India and Sub-Saharan Africa have received special attention. Major programs include a \$100 million grant over 10 years to support the Global Fund to fight AIDS, Tuberculosis, and Malaria, another \$100 million grant over 5 years to support the International AIDS Vaccine Initiative (IAVI) in developing and distributing an AIDS vaccine, and a \$50 million project with the World Bank for a 5 year program with the Global Alliance for Improved Nutrition (GAIN).

The Ford Foundation international giving grew in 2001 to \$360 million.⁷⁴ Foundation priorities are asset building and community development, peace and social justice, and international fellowships.⁷⁵ Virtually all regions in the developing world receive grants with no particular regional

70. Grants for Foreign and International Programs, The Foundation Center, 2001/2002 p.xiii. Total international giving for development includes both grants which go directly to developing countries and grants which indirectly benefit populations in developing countries. For example, a grant of \$28 million to the WHO "Medicine for Malaria Venture," is counted as development aid. This figure excludes Part 2 countries.

71. Bill & Melinda Gates Foundation 2001 Annual Report, p. 25.

72. Telephone conversation with the Foundation, November 1, 2002.

73. Bill & Melinda Gates Foundation 2001 Annual Report. p. 25.

74. The Ford Foundation Annual Report 2001.

75. The Ford Foundation Annual Report 2001.

or country focus.⁷⁶ Some of its larger grantees include the Foundation for Socially Responsible Enterprises in Chile, an organisation that fosters socially responsible philanthropy in the Chilean business sector, The Center for the Study of Developing Societies in India which received a \$1.2 million grant for the revitalization of social science research, and the Bangladesh Freedom Foundation, which received a \$3 million endowment to ensure sustainability.

International giving continued to increase in **The David and Lucile Packard Foundation**. In 2001, estimated international giving was \$210 million.⁷⁷ Conservation and population control are the two major program areas.⁷⁸ Mexico is large grant recipient and received one of the foundation's biggest grants of \$6.4 million in 2001. Grants in family planning are made in eight focus countries: Ethiopia, India, Mexico, Myanmar, Nigeria, Pakistan, the Philippines, and Sudan.⁷⁹ Some of the larger grantees include the Center for Development and Population Activities for a program in Nigeria, a \$3 million grant to DKT International to expand family planning in Ethiopia, and a \$3.5 million grant to strengthen NGO family planning activities in India.

The Rockefeller Foundation devotes 95 per cent of its funding to international activities, the highest of all large foundations. The foundation emphasizes food security, particularly in Sub-Saharan Africa, Asia and Latin America. Another program area is health equity and global inclusion, in an effort to reduce negative impacts of globalization on vulnerable communities. Some its grantees include The Association for Better Land Husbandry in Kenya to develop a marketing structure linking smallholder farmers to high value, organic output markets, the WHO and its Global Forum for Health Research focusing on product development for diseases that affect poor people in developing countries, Columbia University in New York for programs in Africa that prevent mother-to-child transmission of HIV, and Family Health International for a microbicides project, to develop products that prevent the spread of sexually-transmitted diseases, including HIV in developing countries.

The John D. and Catherine T. MacArthur Foundation international giving grew in 2001 to \$100 million.⁸⁰ Sixty-two per cent of this went to U.S. organisations and 38 per cent to overseas recipients. One of its major programs, global security and sustainability,⁸¹ has programs in Russia and Nigeria, including population control, human rights, and governance to address economic consequences of globalization. Illustrative programs include support for the International Union for the Conservation of Nature and Natural Resources in Cameroon for biodiversity conservation, Columbia University for activities to slow the spread of HIV/AIDS in Sub-Saharan Africa, the Indian Institute of Management in support of policy research to improve maternal mortality and morbidity and the reproductive health of young people, the Sociedad Mexicana Pro Derechos De La Mejer in Mexico City to develop leaders in the field of reproductive and sexual health.

The William and Flora Hewlett Foundation increased its international funding significantly in 2001 to \$74 million.⁸² The foundation's primary focus is conflict resolution, population, and U.S.-

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76. Conversation with the Ford Foundation, November 4, 2002, and The Ford Foundation Annual Report 2001.
77. The David and Lucile Packard Foundation, Grant Awards 2001
78. The David and Lucile Packard Foundation, Grant Awards 2001
79. Telephone conversation with The David and Lucile Packard Foundation on November 5, 2002, and The David and Lucile Packard Foundation, Grant Awards 2001.
80. The John D. and Catherine T. MacArthur Foundation Report on Activities 2001. p. 12.
81. The John D. and Catherine T. MacArthur Foundation Report on Activities 2001. p. 4.
82. The William and Flora Hewlett Foundation Annual Report 2001. p. 75.

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Latin America relations. The number of large grants, exceeding \$1 million in population programs, is significant. Some of its grantees are the Washington, DC-based Academy for Educational Development for basic education advocacy activities in developing countries, the Asian Forum for Parliamentarians on Population and Development, the Center for Reproductive Law and Policy, and the UN Population Fund.

The Andrew Mellon Foundation international giving decreased slightly in 2001 to just under \$180 million. The major focus is population control.⁸³ The foundation states that while it expects to “continue to concentrate its grantmaking in the U.S., it will not be surprised if over time the percentage of grant dollars going to institutions overseas increased ...”⁸⁴ The Foundation has adopted a country-specific approach only in South Africa, with the hope of not only assisting that country but using its infrastructure for the development of the whole of Sub-Saharan Africa.⁸⁵

Some grantees include the African Population and Health Research Center in Kenya, Harvard University for training courses for senior management of humanitarian organisations, and the University of Michigan and University of North Carolina in studies of forced migration in developing countries.

For the first time in 15 years, total giving decreased in 2001 at the **Charles Stewart Mott Foundation**.⁸⁶ Its primary international focus is in civil society programs that strengthen the non-profit sector, promote citizen rights and responsibilities, and improve race and ethnic relations.⁸⁷ The environment program has no specific regional focus, but the activities in international finance and trade affect developing countries.⁸⁸ Grantees include CIVICUS: World Alliance for Citizen Participation in Washington, DC. The Synergos Institute and Partners for Democratic Change, two organisations that build local capacity in civil society, the Institute for Policy Studies in Washington, DC to assess the impact of financial flows on the global environment, and the Third World Network in Malaysia to assist third world countries participate in trade policy discussions.

The W.K. Kellogg Foundation total giving in 2001 decreased to \$136 million. One of its primary program areas is youth development.⁸⁹ The Foundation’s geographic priorities include Southern Africa (9%) and Latin America (12%).⁹⁰ Grantees include the Agricultural Research Council in Zimbabwe, the University of Pretoria to facilitate the holistic, integrative approaches for rural communities, and the International Institute for Educational Planning in Argentina to develop and strengthen pedagogical innovation and management.

83. The Andrew W. Mellon Foundation Annual Report, pp. 110-116.

84. Telephone conversation with The Andrew W. Mellon Foundation, October 29, 2002 and The Andrew W. Mellon Foundation Annual Report. P. 32 and pp. 57-120.

85. Telephone conversation with The Andrew W. Mellon Foundation, November 8, 2002, and The Andrew W. Mellon Foundation Annual Report, p. 32.

86. Charles Stewart Mott Foundation Annual Report 2001, p. 7.

87. Charles Stewart Mott Foundation Annual Report 2001, pp. 17-18.

88. Charles Stewart Mott Foundation Annual Report 2001, pp. 59-61.

89. W.K. Kellogg Foundation 2001 Annual Report, p. 7.

90. W.K. Kellogg Foundation 2001 Annual Report, p. 48.

Table 4. International Grants by Major Program Area, 2000

	Amount	%	No. of Grants	%					
International Affairs, Peace					Environment				
Peace and Security	\$81,515,811	3.3	564	5.2	Natural Resources	\$125,000,994	5.1	779	7.2
Foreign Policy	24,862,860	1.0	229	2.1	Pollution Control	30,840,170	1.3	102	0.9
Promoting International Understanding	48,966,181	2.0	458	4.2	Conservation, Other	14,456,225	0.6	112	1.0
International Affairs, Research/Policy	5,582,188	0.2	53	0.5	Animals and Wildlife	23,569,044	1.0	128	1.2
International Affairs, Other	8,468,458	0.3	112	1.0	Total Environment	\$193,866,433	7.9	1,121	10.3
Total International Affairs, Peace	\$169,395,498	6.9	1,416	13.0	Arts and Culture				
					Museums/Visual Arts	\$16,337,114	0.7	220	2.0
International Development, Relief					Performing Arts	20,106,835	0.8	211	1.9
Community/Economic Development	\$90,803,964	3.7	545	5.0	Media and Communications	12,632,448	0.5	126	1.2
Agricultural Development	52,956,896	2.2	402	3.7	Humanities	16,496,722	0.7	158	1.5
Relief/Humanitarian Aid	25,812,655	1.1	328	3.0	Arts, Multidisciplinary	6,559,630	0.3	94	0.9
Development/Relief, General	62,302,348	2.5	478	4.4	Historic Preservation	4,017,594	0.2	58	0.5
Human Services	38,153,427	1.6	408	3.8	Arts, Other	2,795,930	0.1	21	0.2
Total International Development, Relief	\$270,029,290	11.0	2,161	19.9	Total Arts and Culture	\$78,946,273	3.2	888	8.2
					Science and Technology				
Health and Family Planning					Biological Science	\$12,318,990	0.5	19	0.2
Reproductive Health Care	\$309,136,336	12.6	406	3.7	General Science	4,662,978	0.2	43	0.4
Public Health	205,929,640	8.4	146	1.3	Science, Other	16,112,715	0.7	64	0.6
Health Care, General	50,995,816	2.1	302	2.8	Total Science and Technology	\$33,094,683	1.4	126	1.2
Medical Research	165,613,819	6.8	112	1.0	Human Rights, Civil Liberties				
Specific Diseases	207,858,134	8.5	186	1.7	Human Rights	\$64,384,469	2.6	472	4.3
Mental Health	4,578,770	0.2	40	0.4	Migration, Refugee Issues	5,226,700	0.2	59	0.5
Total Health and Family Planning	\$944,112,515	38.5	1,192	11.0	Civil Liberties, Legal Services	60,602,090	2.5	415	3.8
					Total Human Rights, Civil Liberties	\$130,213,259	5.3	946	8.7
Social Sciences					Public/Society Benefit				
Economics	\$14,305,891	0.6	70	0.6	Public Affairs/Government	\$58,117,609	2.4	365	3.4
Population Studies	33,700,406	1.4	88	0.8	Philanthropy and Voluntarism	39,476,842	1.6	220	2.0
International Law/Law	4,832,193	0.2	36	0.3	Total Public/Society Benefit	\$97,594,451	4.0	585	5.4
Social Sciences, Other	17,492,543	0.7	117	1.1	Religion	\$48,652,187	2.0	611	5.6
International Area Studies	59,900,614	2.4	288	2.6	Total Religion	\$48,652,187	2.0	611	5.6
Women's Studies	3,398,930	0.1	31	0.3	Other				
Interdisciplinary Research, Other	13,949,658	0.6	95	0.9	Other	\$264,266	0.0	12	0.1
Total Social Sciences	\$147,580,235	6.0	725	6.7	Total Other	\$264,266	0.0	12	0.1
					Grand Total:	\$2,450,716,135	100.0	10,874	100.0
Education									
Higher Ed	\$39,735,060	1.6	372	3.4					
Graduate and Professional	243,885,549	10.0	254	2.3					
Elementary and Secondary	12,867,214	0.5	239	2.2					
Adult and Continuing	545,000	0.0	10	0.1					
Libraries	25,753,957	1.1	70	0.6					
Education, Other	14,180,265	0.6	146	1.3					
Total Education	\$336,967,045	13.7	1,091	10.0					

ANNEX B

INTERNATIONAL GRANTMAKING BY EUROPEAN FOUNDATIONS

A Report by The Hudson Institute

Carol C. Adelman, Dr. P.H., Senior Fellow

Ronen Sebag, Research Fellow

Introduction

Virtually all studies and publications on European foundations indicate that there is no common definition for a foundation due to the wide range of legal systems in Europe.⁹¹ Consequently, a foundation in one country might not be considered as such in another. Also, many organisations called foundations are actually not. The term can apply to membership associations, corporations, and government-subsidized entities. A comprehensive guide to European foundations published by the Bertelsmann Foundation has developed a definition that is particularly useful in identifying foundations.⁹² A foundation is defined as: 1) a non-membership-based identifiable organisation; 2) a private and self-governing entity that cannot be an instrument of government, even though it may receive government funding; 3) a non-profit-distributing entity; and, 4) an organisation serving a public purpose as opposed to just a family.⁹³ This definition enables better comparisons among foundations in the United States and elsewhere. Annex A provides a more detailed explanation of the difficulty in quantifying Europe's third sector.

European foundations by amount

The European Foundation Center (EFC) includes 143 foundations, representing some of the largest in Europe. Its Directory provides quantitative data and allows for some statistical extrapolation.⁹⁴

91. Schluter, Andreas *et al.* Foundations in Europe – Society, Management, and Law. Directory of Social Science CAF, 2001. pp. 39-40.

92. Furthermore, in Germany, the largest players in the field of assistance to developing countries are the semi-state funded so-called "party-foundations", i.e. foundations associated with the political parties (there exists one each for the parties represented in parliament) and receiving their assets from public state department and home office budgets. These are the Konrad-Adenauer Stiftung, The Hans-Seidel-Stiftung, the Friedrich-Ebert-Stiftung, the Naumann-Stiftung, the Heinrich-Böll-Stiftung and the Rosa-Luxemburg-Stiftung. Source: email from Dr. Volker Then, Director Philanthropy and Foundations, Bertelsmann Stiftung, January 23, 2003.

93. Schluter, Andreas *et al.* Foundations in Europe – Society, Management, and Law. *Directory of Social Science* CAF, 2001. pp. 41-42.

94. Independent Funding – a directory of foundation and corporate members of the European Foundation Center (EFC), 2002. This directory also provides the most up-to-date indexes of foundations and corporate members of the European Foundation Center. The source includes 143 foundations with total annual expenditures amounting to \$3.98 billion US (3.5 billion euros; exchange rate is based on

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While EFC members do not represent all foundations in Europe, they do represent many of the largest and most prominent in the philanthropic sector. As some EFC members are supported primarily by governments and others are foreign, they are excluded from the total funding amount.⁹⁵ There are 105 European foundations that are primarily privately funded. Total annual expenditures amount to some \$2 billion, representing about half of all EFC members. This finding is supported by a 1995 survey indicating that 50.4% of non-profit revenue in Europe's third sector is public, whereas 42.5% comes from fees and only 7.1% from philanthropy.⁹⁶

Number and type of European foundations

There are an estimated 357 029 organisations in Europe that call themselves foundations.⁹⁷ However, this figure includes many that do not fit the working definition described above.⁹⁸ Using this definition, the total number of European foundations is closer to 85 000 foundations in Western Europe.⁹⁹ If Central and Eastern Europe are included, that number increases to some 120 000, with 20 000 in Hungary alone.¹⁰⁰ Hence, only 23% of the total number of organisations which view themselves as foundations fall within the private and independent definition typical of American foundations.

Of the 85 000 foundations in Western Europe, Sweden has 25,000 or 29.4%, followed by Denmark with 14 000 or 16.5%, Britain with 8 800 or 10.3%, Germany with 8 312 or 9.8%, and

\$1 = e1.08 as of January 2003). The statistics in our study also include \$78,098,400 of GlaxoSmithKilne and \$108,530,000 of VolkswagenStiftung, which were not counted by EFC. Hence, total expenditure in the EFC directory is based on \$ 3,790,000,000 + \$78,098,400 + \$108,530,000 = \$3,976,628,400.

95. For the purpose of this study, we divided the EFC foundations into six groups: Independent European foundations (IEF); Independent European foundations with Partial American Funding (IEFA); American Foundations (AF) - these are American members of the EFC; Public European Foundations (PEF); Semi-Public European Foundations (SPEF) – foundations funded partially by public money; Foreign Foundations (FF) – these are non-European members of the EFC. The numerical composition of the EFC members is as follows: IEF=95; IEFA=10; AF=11; PEF=2; SPEF=22; FF=2. For accurate statistical data on foundations that are *both* European and independent, the figures in this report are for IEF (subtotal 95 or 90.5%) and IEFA (subtotal 10 or 9.5%); totalling 105 foundations. Thus, AF, PEF, SPEF, and FF are excluded. More general numbers of a less comparative statistical nature are provided in the later sections of this report.
96. Global Civil Society At a Glance. Johns Hopkins University. Major Findings of the Johns Hopkins Comparative Non-profit Sector Project, 1999.
97. Schluter, Andreas *et al.* Foundations in Europe – Society, Management, and Law. *Directory of Social Science* CAF, 2001. p. 52.
98. For example, depending on definitions for statistical purposes, the number of foundations in the Netherlands ranges between 1,000 and 130,000. Hence, depending on definitions of what falls under the category of foundations, the margin of variance can be very large. Helmut K. Anheier "Foundations in Europe: a comparative perspective." In Schluter, Andreas *et al.* Foundations in Europe – Society, Management, and Law. *Directory of Social Science* CAF, 2001. p. 53.
99. Schluter, Andreas *et al.* Foundations in Europe – Society, Management, and Law. *Directory of Social Science* CAF, 2001. p. 57.
100. *Ibid.* pp. 51-52.

Switzerland with 8 000 or 9.4%. Thus, some three-fourths of Europe's foundations are concentrated within these five countries.¹⁰¹

European foundations are categorized into three main types of activities: *grantmaking*, *operating*, and *mixed foundations*. *Grantmaking foundations* are endowed entities, whose main activities are grantmaking for specific purposes. *Operating foundations* typically run their own projects rather than awarding grants to other parties. *Mixed foundations* operate their own programs and engage in grantmaking activities.

Table 1: Number and per cent of Foundations by Country

Country	<i>Number of Foundations</i>	Percentage of Europe's Total Foundations
Sweden	25,000	29.4%
Denmark	14,000	16.5%
Britain	8,800	10.3%
Germany	8,312	9.8%
Switzerland	8,000	9.4%
Others	20,000	23.5%

Most foundations in Europe are operating. They conduct their own philanthropic projects typically employing large staffs to do so. In seven European countries, however, foundations engage in grantmaking activity. Virtually all foundations in Britain (100%) are grantmaking. Germany, Finland, and Italy also have a relatively high proportion of grantmaking foundations. The relative share of grantmaking foundations within each country is: Germany (50%); Finland (50%); Ireland (27%); Italy (15%); Spain (5%); and Switzerland (5%).¹⁰²

European foundations have grown dramatically over the past three decades. Two out of every three European foundations were established after 1970.¹⁰³ The highest growth rate took place in countries that reformed their laws governing non-profits. For example, 56% of the foundations in Portugal were established after 1980. The high growth rate in both Spain and Portugal is also attributed to changes in the political environment towards democratization in the 1970s.¹⁰⁴ The countries in the medium growth row have experienced a 20 to 30% growth per decade.¹⁰⁵

101. Ibid. p. 52.

102. Ibid. p. 52.

103. Ibid. p. 65.

104. Ibid. p. 65.

105. Ibid. p. 65.

Table 2: Foundation Sector Scale and Growth Pattern¹⁰⁶

		Foundation Sector Size		
		<i>Large</i>	<i>Medium</i>	<i>Small</i>
Foundation Sector Growth	HIGH	Italy	Portugal, Spain, Turkey	HUNGARY
	Medium	Switzerland	Britain, Finland, Germany	Greece and most other central and eastern countries
	Low		Ireland	Austria, Belgium, France

European foundation giving by area of activity

There is very little information on European foundation international giving by area of activity. However, data for both domestic and international activities are available on the number of foundations working in different sectors. Thirty per cent of foundations are involved in education and research, 25% in social services, and 17% in healthcare. Thus, over two-thirds of foundations work in these three areas of activity.¹⁰⁷

Another survey of members of the European Foundation Center found that 78 % had an interest in education, 66% in the arts and culture, 48% in issues affecting children and youth, 33% in the environment, and 30 % in the area of minorities and multiculturalism.¹⁰⁸ Other information from an unpublished study of over 30 European foundations found that the three main areas of international activity are education, health, and community development.¹⁰⁹

European foundation international giving to developing countries

There is no comprehensive information on the total amount or sectors of private European giving to developing countries. Although European foundations typically do not support activities outside Europe, one small survey indicates that 40% of the foundations have some international activities.¹¹⁰ The survey of European Foundation Center members provides data on total giving for each foundation, but it is not known how much goes to developing countries.

In an attempt to arrive at an indicative notion of the dollar amount of funding going abroad, the expenditures of foundations that reported international giving were selected from the 105 EFC members that are private European foundations. These expenditures from 45 EFC member foundations totalled some \$1.4 billion. This is an outside range of giving since the figure includes expenditures for both domestic and other European programs, as well as developing countries.¹¹¹ Of

106. Ibid. p. 67.

107. Ibid. p. 57.

108. EFC Independent Funding 2002, pg. xii.

109. Brophy, Michael, "The Report on Europe in the World Network Feasibility Project," Help for All Trust, East Sussex, 2003, p. 3. This report is not yet complete or available to the public. In this report, Michael Brophy is surveying the engagement of European foundations in developing countries.

110. Ibid.

111. EFC Independent Funding, 2002.

this \$1.4 billion, ten foundations constitute more than three-fourths of total expenditures, or \$1.1 billion.

Another unpublished, ongoing study obtained estimates from a sample of 35 European foundations on the per cent of total giving they spent on international activities outside of their own country and other EU countries.¹¹² These ranged from less than one per cent to 100 % in the case of the Aga Khan Foundation. The majority gave less than 25 per cent of their total expenditures overseas. Thus, taking 25 % of the \$1.4 billion of foundations reporting international involvement gives an outside lower range of \$350 million that private European foundations give annually to the developing world.

Table 3: Leading Private European Foundations that Give Internationally
Total Domestic and International Expenditures
(000s US Dollars)

<i>Foundation</i>	<i>Approximated Total Expenditure*</i>
1. Charities Aid Foundation (UK)	253
2. Fundacio La Caixa (Spain)	154
3. Compagnia di San Paolo (Italy)	127
4. VolkswagenStiftung (Germany)	109
5. Fondazione Cassa di Risparmio delle Provincie Lombarde (Italy)	98
6. Knut och Alice Wallenbergs Stiftelse (Sweden)	86
7. Stifterverband fur die Deutsche Wissenschaft (Germany)	80
8. GlaxoSmithKline (UK)	78
9. Deutsche Bank (Germany)	65
10. Robert Bosch Stiftung GmbH (Germany)	51

* Total expenditure figures are from 2000 and 2001; #2 from 1999.

Profiles of EFC members involved in international grantmaking

Charities Aid Foundation's (CAF) geographic foci are the UK, Europe in general, and the U.S. In the developing world, the CAF concentrates on Africa, India, the Asia Pacific region and South America. CAF grants funds to an array of charitable organisations, runs its own programs, and provides technical assistance and advice to individuals and organisations involved in philanthropy.¹¹³ For example, CAF is working in Ghana and West Africa to encourage dialogue and partnerships among government, corporate entities and non-profits to channel resources into community development initiatives. Current projects include a \$640 000 grant for Ghana under the Beyond Aid Project, designed to foster NGO independence and sustainable development. CAF also manages more than \$2.31 billion on behalf of charities in over 20 countries.¹¹⁴

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112. Brophy, Michael, "The Report on Europe in the World Network Feasibility Project," Help for All Trust, East Sussex, 2003.
113. Charities Aid Foundation (website). Independent Funding – a directory of foundation and corporate members of the EFC. European Foundation Center, 2002. pp. 20-21.
114. Charities Aid Foundation (website).

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Fundacio La Caixa is dedicated to “creating programs that are geared to the needs of society,” worldwide and particularly in the developing world. The foundation is active in four main areas: social projects, science and environment, educational projects, and cultural projects. Grantmaking in developing countries is done through social projects, mainly concentrated on AIDS prevention and poverty reduction. Through educational projects, the foundation awards post-graduate grants for specialized schools of nursing and computers.¹¹⁵

Compagnia di San Paolo works both in Italy and overseas. Its main fields of concentration are scientific, economic, legal research, education, culture, and health. International activities are mainly in the welfare field where the foundation collaborates on international humanitarian initiatives.¹¹⁶

GlaxoSmithKline’s (GSK) main geographic focus is developing countries, particularly Sub-Saharan Africa. GSK concentrates in three key areas: investing in R&D for diseases that affect the developing world, offering sustainable preferential pricing of pharmaceuticals to treat common diseases in developing countries, and promoting effective healthcare for those regions. Particular attention in these areas is given to HIV, lymphatic filariasis, Malaria, and TB. Also, GSK is working with both United Nations agencies and other pharmaceutical companies to make HIV/AIDS treatment more accessible.¹¹⁷

In the past four decades **Deutsche Bank** has established several foundations, including the Alex Brown and Sons Charitable Foundation, the Cultural Foundation of Deutsche Bank, the Alfred Herrhausen Society for International Dialogue, and the Deutsche Bank Africa Foundation to promote culture, science, and environmental protection among others. The foundations sponsor young scientists from every continent to work on environmental projects and actively participate in the international environmental organisations of the U.N. and World Bank. In the special projects program area, the Deutsche Bank Micro-credit Development Fund offers micro-credits to business start-ups in developing countries.¹¹⁸

115. Fundacio La Caixa Annual Report 2000. Fundacio La Caixa information office, January of 2003. Independent Funding – a directory of foundation and corporate members of the EFC. European Foundation Center, 2002. pp. 87.

116. Compagnia di San Paolo website. Independent Funding – a directory of foundation and corporate members of the EFC. European Foundation Center, 2002. pp 26-27.

117. GlaxoSmithKline Annual Report 2001. GlaxoSmithKline website. Independent Funding – a directory of foundation and corporate members of the EFC. European Foundation Center, 2002. pp. 110.

118. Deutsche Bank web site. Independent Funding – a directory of foundation and corporate members of the EFC. European Foundation Center, 2002. pp. 29.

Note: The Problematic Nature of European Grantmaking Statistics

An attempt to provide an all-encompassing quantitative as well as comparative account of European international grantmaking is problematic for the following reasons:

1. Different legal and cultural traditions among European countries have resulted in many different definitions of foundations. For example, state foundations in Turkey and government start-up grant foundations in Spain are more public than private. The Swedish 'Company Foundations' like the *Knut och Alice Wallenberg Foundation* and the Norwegian 'commercial foundations' would not fit within the parameters of the British laws of foundations. Likewise, many British foundations would not fit French legal parameters. Some organisations in Switzerland labelled 'foundations' are in fact investment trusts for families for corporate pension funds. The terms vary widely and include: foundation, endowment, trust, *dondacion*, *Stiftung*, *Stichting*, *Stiftelse*, and *Saatio*.¹¹⁹
2. Unlike the US, public funding (*e.g.*, lottery, federal and local government funds) is a common income source for Europe's foundations. Furthermore, according to studies done by the Johns Hopkins Comparative Non-profit Sector Project, the high growth of Europe's third sector during the 1990s was due in large part to public funds and took place in countries that promoted partnerships between government and non-profit organisations.¹²⁰ However, public support of foundations seems to have reached its limit, and foundations in Europe are likely to become increasingly dependent on private money.¹²¹
3. Comparative and quantitative cross-country research on European foundations is rare.¹²² When information is provided, it is usually of a descriptive nature and country specific. *Foundations in Europe*, the most comprehensive and up-to-date 875 page volume on the third sector in Europe, concludes that it is impossible to provide precise quantitative numbers on the total amount of funding by European foundations.¹²³

119. Schluter, Andreas et al. Foundations in Europe – Society, Management, and Law. *Directory of Social Science* CAF, 2001. pp. 39-40.

120. Anheier, Helmut. "The Third Sector in Europe: Five These." February 2002.

121. Ibid.

122. Dr. Volker Then, the Director of Philanthropy and Foundations at Bertelsmann Stiftung and the coeditor of the 2001 875-page book *Foundations in Europe*, confirmed that comparative and quantitative data on European foundations involvement in the developing world does not exist. (Source: email from Dr. Volker Then January 23, 2003). Also, Michael Brophy, former Chief Executive of the Charities Aid Foundation in the UK, who is currently surveying the engagement of European foundations in developing countries said, "The obscurity of what European foundations are doing is amazing." The preliminary and unpublished findings of the report Mr. Brophy is overseeing already indicate that the level of international grant spending is quite low. (Source: email and telephone conversation with Michael Brophy, February 3, 2003). Karina Holly, Editor of *Philanthropy in Europe* also pointed to the dearth of quantitative and comparative information available regarding European foundations in general. (Source: email from Karina Holly, January 8, 2003).

123. Schluter, Andreas *et al.* Foundations in Europe – Society, Management, and Law. *Directory of Social Science* CAF, 2001.

ANNEX C

INTERNATIONAL GRANTMAKING BY ASIAN FOUNDATIONS

A report by The Hudson Institute

Carol C. Adelman, Dr. P.H., Senior Fellow

Ronen Sebag, Research Fellow

Introduction and general observations

International philanthropy by Asian foundations is relatively limited due to cultural and religious traditions which favor local philanthropy.¹²⁴ There has been very little comparative research on Asian philanthropy in general and even less so on what Asian foundations are doing in developing countries.¹²⁵ Tadashi Yamamoto, President of the Japan Center for International Exchange believes that it is difficult to generalize about the philanthropic sector in Asia.¹²⁶ Nevertheless, much of Asia's philanthropy goes to local community needs and social welfare.¹²⁷ In general, religious organisations raise substantial funds for their institutions, other religious causes, and non-religious activities. For example, Australia's religious organisations received 37.2% of all donations in 1997. According to a survey of India, the Philippines, Thailand, and Indonesia, an average of 90% of adults gave to religious organisations.¹²⁸ The Asia Pacific Philanthropy Consortium (APPC) confirms that giving to non-religious causes is relatively low.¹²⁹

The legal environment in Asia is not conducive for philanthropy, and government agencies tend to regard non-governmental organisations (NGOs) and non-for-profit organisations (NPOs) as their subsidiaries, leaving them very little room for independent action.¹³⁰ For example, non-profit organisations in Japan are struggling to gain recognition from the government as a separate sector. In Hong Kong, the government is a major source of revenues for non-profits and dominates their activities. In Bangladesh and New Zealand, the governments have not provided any tax exemption for

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124. Jung, Ku-Hyum (editor). *Evolving Patters of Asia-Pacific Philanthropy*. Institute of East and West Studies, Yonsei University. Seoul Press, 1994. pp. 31.
 125. Dr Michael Liffman, Director, Asia-Pacific Center for Philanthropy and Social Investment, Swinburne University, AUSTRALIA, email January 15, 2003.
 126. Yamamoto, Tadashi. *Giving with a Difference in Asia; Remarks: Session I – role of foundations*. Asia Confers 2 CAFO. May 10, 2002.
 127. Asia Pacific Philanthropy Consortium (APPC), "Strengthening Philanthropy in the Asia Pacific: An Agenda for Action." Conference Report (Bali, Indonesia; July 16-17, 2001). P. 8.
 128. "Investing in Ourselves: Giving and Fund Raising in Asia," a study by Venture for Fund Raising, 2001.
 129. Asia Pacific Philanthropy Consortium (APPC), "Strengthening Philanthropy in the Asia Pacific: An Agenda for Action." Conference Report (Bali, Indonesia; July 16-17, 2001).
 130. Yamamoto, Tadashi. *Giving with a Difference in Asia; Remarks: Session I – role of foundations*. Asia Confers 2 CAFO. May 10, 2002.

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income of non-profits nor have they provided incentives for the corporate sector to make donations to non-profits. In China, the government practices control over the non-profit sector.¹³¹

Other observations of Asia's philanthropic sector are more encouraging and show growth despite the economic slump of the late 1990s. For example, between 1994 and 1999 the number of Australians who made gifts for charitable causes increased from 69% to 74%. In Japan, 77% of households claim to have contributed to charitable causes.¹³² While Asian foundations and NGOs have traditionally relied heavily on foreign private foundations, especially American, Asian governments are beginning to understand the contributions of the non-profit sector to social improvements and are interested in cooperating with it.¹³³

Asian Philanthropy by country

Even the most comprehensive and up-to-date information on Asian philanthropy does not provide comparative cross-regional statistics and figures.¹³⁴ Moreover, there is very little information on Asian international philanthropic activity. The little available information is contained in the Asia Pacific Philanthropy Consortium (APPC) publication entitled *Philanthropy and the Third Sector in Asia and the Pacific*.¹³⁵ Annex A summarizes information by country and key variables where available.

Australia

Total funding of Australia's Non-Profit Organizations (NPOs) in 1995-96 was \$14.2 billion. Of this, \$1.0 billion came from fundraising, \$4.3 billion from the government, and \$6.7 billion from fees for service. Recently, revenues from gambling, beer, and cigarettes have been major contributors in

131. Francisco-Tolentino, Rory; Executive Director, Ayala Foundation; Chair, Asia Pacific Philanthropy Consortium. "Philanthropy in Asia and the Pacific: Trends, Challenges, and Opportunities. Presented at WINGSForum 2002, March 13, 2002, Sydney, Australia.

132. Ibid.

133. Vacek, Lori A. Draft Conference Summary Paper for the Asia Pacific Philanthropy Consortium, *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. Conference Summary Paper, July 2001, Bali, Indonesia.

134. James Gannon, Executive Director of Japan Center for International Exchange (JCIE/USA), Email on January 16, 2003. Takashi Ishida, Director, The Japan Foundation, Center for Global Partnership, email on January 16, 2003. Sean Fitzsimons, Assistant, Economic Section, Embassy of Japan, telephone conversation on January 3, 2003 and email on January 14, 2003.

135. Much of the recent information presented by APPC is available in the form of background papers on philanthropy in Asian countries. These papers were prepared by working groups of the most prominent experts in the field of philanthropy in their respective countries. The papers were prepared for and presented at the APPC conference entitled *Strengthening Philanthropy in Asia pacific: An Agenda for Action*, which took place in Bali, Indonesia, in July of 2000. The papers did not seem to follow a strict quantitative format or analytical methodology. Some papers presented very little or no quantitative information. Furthermore, APPC draws the rest of its materials from a myriad of sources. Hence, what follows cannot be looked at as a single comparative study, but rather as broad generalizations drawn from several non-collaborative sources on Asian philanthropy. Whenever figures were not available in \$US, the exchange rate is as of January 2003. See *Philanthropy and the Third Sector in Asia and the Pacific*, a network dedicated to promoting the flow and effectiveness of philanthropy in Asia. A project of the Asia Pacific Philanthropy Consortium (APPC). <http://www.asianphilanthropy.org/>

the establishment of foundations.¹³⁶ Philanthropic foundations and charitable trusts made grants in the sum of \$250 million. The largest sectors of activity are religion (37%), social service (17%), and education and research (16.4%).¹³⁷

Most of Australia's nonprofits that are engaged in international activity are affiliated with international organisations. The largest is World Vision followed by Care Australia and Caritas.¹³⁸ Australian aid and development agencies managed \$297 million in 2001, and 60% of this came from donations and support from individuals, representing an average household donation of \$38 to overseas aid activities.

Bangladesh

In Bangladesh, individual philanthropy goes predominantly to religious organisations, with an average of 80% of households giving to them. Education and research is the second largest philanthropic sector with some 29% of households giving. Although no figures are available on corporate philanthropy, it is estimated at .05% of total corporate revenue.¹³⁹ According to a study sponsored by the Asian Development Bank (ADB), 59% of the NGOs in Bangladesh focus on the area of social welfare.¹⁴⁰

In Bangladesh the non-profit sector is not engaged in international philanthropy. A number of NGOs, however, provide social and economic development assistance internationally in the form of consulting. The Association of Social Advancement (ASA) is providing development assistance in the field of micro credit to nineteen countries in Asia and Africa, and the Bangladesh Rural Advancement Committee is also involved in development-supporting activities.¹⁴¹

China

There are some 1 800 foundations in China with 5% at the national level. Funding sources include government (sole source of support until early 1980s), individual giving (including government workers encouraged by their leadership to donate), individuals who purchase lottery tickets, and voluntary donations, which is the smallest source. Very few corporate foundations exist in

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136. Australia Background paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. Conference Summary Paper, July 2001, Bali, Indonesia. For the Asia Pacific Philanthropy Consortium. Exchange rate here is based on \$AU 1 = \$US 0.52.
137. Australia - Philanthropy and the Third Sector Overview (exchange rate in that report is based on 1A\$ = \$US0.75). *Philanthropy and the Third Sector in Asia and the Pacific*. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
138. Australia – International Philanthropy. *Philanthropy and the Third Sector in Asia and the Pacific*. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
139. Bangladesh - Philanthropy and the Third Sector Overview. *Philanthropy and the Third Sector in Asia and the Pacific*. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
140. Bangladesh Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.
141. Bangladesh – International Philanthropy. *Philanthropy and the Third Sector in Asia and the Pacific*. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

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China. China's Charities Federation, the Red Cross Society of China, and other third sector organisations received more than \$1.4 billion for philanthropic purposes in 1998.¹⁴²

Hong Kong

Sources of funding for philanthropy in 2000-2001 include the government (\$828 million), foundations (\$143 million), and the Community Chest (\$23 million). One study estimates that corporate giving accounts for a majority of total contributions to philanthropy. The Inland Revenue Department estimates that corporate philanthropy stood at \$109 million in 1999. Another study estimates corporate philanthropy between \$175 million and as high as \$333 million.¹⁴³ The major sectors of activity are education, health, and social services.

The Hong Kong Jockey Club Charities Trust and the Community Chest charities are the two major philanthropic entities with total allocations of \$163 million in 2000-2001.

Much of Hong Kong's international foundation activity is focused on Mainland China. For example, HOPE Worldwide sponsors education programs in rural areas of Mainland China. In 1998 Hong Kong's three international relief agencies – World Vision Hong Kong, Oxfam Hong Kong, and the Hong Kong Committee for UNICEF - collected \$28 million. Ethnic minority organisations also raise funds in Hong Kong to help their homelands.¹⁴⁴

India

In India most individual contributions are made to religious organizations. According to a 2001 survey conducted by the Sampradaan Indian Center for Philanthropy, 96% of upper and middle class urban households donated to charitable causes for a total of \$338.6 million. The dominant sector of giving is for disaster relief, receiving 21% of funds.¹⁴⁵

Indonesia

Sources of revenue for Indonesian foundations include international (65%) and domestic (35%). Domestic sources consist of earned income and fees (33%), interest on endowment funds (17%), corporations (17%), national and local government (5%), individual giving (14%), NGOs (3%), and other (11%).¹⁴⁶ According to a 2000 APPC survey, almost all of the adult population reported giving

142. China - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

143. Hong Kong - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

144. Hong Kong – International Philanthropy. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

145. India Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.

146. Data is based on a recent survey conducted by Ibrahim, Rustam (2000), *Direktori Organisasi Sumberdaya Masyarakat Sipil: Indonesia*. The Synergos Institute, *Series on Foundation building in Southeast Asia*. Indonesia Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.

to family and friends, and 80% gave to voluntary organisations. Individual philanthropy is based on the Muslim tradition of *Zakah*, which amounts to 2.5% of annual savings. According to one source, ninety per cent of the income of religious organisations comes from individual philanthropy. The annual amounts collected by some of these organisations range from \$20,000 – \$100,000.¹⁴⁷ Corporate giving is not well documented but is focused mostly on social welfare and education.¹⁴⁸ According to one study, philanthropic giving by corporate entities stood at \$11.5 million in 2001 with 180 companies supporting 279 social projects.¹⁴⁹

Japan

Sources of revenue for philanthropic organisations include fees and charges from foundations and other NGOs (52%), government (45%), and private contributions (3%).¹⁵⁰ Individual philanthropy is done through the *chonai-kai* or community groups. These groups collect an average of \$150 million annually. According to a Japan Foundation Center survey, the number of newly-established grantmaking foundations has been declining since 1991.¹⁵¹ Also, total grantmaking by private philanthropy has declined more than 90% between 1992-1998. Despite these declines, a 1998 law promoting non-profit activities resulted in the creation of some 3500 NPOs.¹⁵²

Corporate giving is considerably larger and has been steady or increasing in the past decade. According to a 1999 survey conducted by the Federation of Economic Organizations (*Keidanren*), corporate philanthropy was \$1.1 billion in 1998. This was divided between cash contributions (64%) and volunteer time (36%). However, the total philanthropic expenditure per company has declined 7.7% between 1997 and 1998.¹⁵³

Despite an unfavorable legal environment for philanthropy in general, the government encourages people to give to international philanthropy. There are over 400 NGOs engaged in international activities.¹⁵⁴ Other surveys list as many as 3,285 organisations involved in international cooperation and exchange. The Japanese government has also instituted a voluntary International aid program. The Ministry of Posts and Telecommunications started the Kokusai Volunteer Chokin program in 1991 (Postal Savings for International Voluntary Aid). The program allows Japanese

147. Indonesia Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.

148. Ibid.

149. Indonesia - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

150. Data is based on a Johns Hopkins Comparative Nonprofit Sector Project (1990-1996). Japan Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.

151. Japan Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.

152. On March 25, 1998 *The Law to Promote Specified Non- Profit Activities* was passed. Source: Japan Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.

153. Japan - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

154. Japanese NGO Center for International Cooperation. <http://www.janic.org/en/en-index.html>

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citizens to make voluntary contributions to international relief efforts. In 1997, 239 projects run by 209 NGOs received approximately \$13.3 million in aid through the Kokusai Volunteer Chokin program.¹⁵⁵ Also, of the twelve prominent foundations profiled by the JFC, seven are Japanese with total expenditure of \$32.5 million (58% of the twelve foundations).¹⁵⁶

Korea

Individual philanthropy in Korea is limited. According to a 2000 study, 10.8% of Korean taxpayers received tax deductions of only 0.18% of their total income.¹⁵⁷ According to a survey conducted by the Korean local associates of the Johns Hopkins Comparative Nonprofit Research Team, 63% reported that they donated an average of \$198 to charity in 1999. Individual philanthropy is mostly geared toward social welfare and education. During 1999-2000, central and local governments allocated \$12 million to NGOs.¹⁵⁸

Out of 4 000 foundations, 89 are corporate, involved in grantmaking activities. The total budget of the 89 corporate foundations was about \$410 million in 1995.¹⁵⁹ The sectors receiving the largest amount of corporate support are corporate-founded medical and cultural institutions (86.5%), social welfare programs (4.9%), education (4.3%), and scholarship and research (4.3%).¹⁶⁰ In late 1998, one of Korea's major foundations, the Community Chest of Korea, became an independent entity which receives funds from both government and the private sector.¹⁶¹

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155. Japan - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
 156. Japan Foundation Center. <http://www.jfc.or.jp/>
 157. Kang, C. (2000). 'Piyongri Tanche Jaejung Mogeum eui Sunjinhwa' (Advancement of Fundraising Strategies in Korean Nonprofit Organizations). Unpublished Working Paper. Quoted in Korea - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
 158. Korea Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.
 159. Park, T. (1994). 'Non-Profit Foundations in Korea', in Ku-Hyun Jung (ed) *Evolving Patterns of Asia-Pacific Philanthropy* (Seoul: Institute of East and West Studies, Yonsei University) pp. 59-77. Quoted in Korea - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
 160. Korea - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
 161. Vacek, Lori A. Draft Conference Summery Paper, *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. For the Asia Pacific Philanthropy Consortium. July 2001, Bali, Indonesia. All endnotes in the table refer to specific country paper reports that were presented in the conference.

Malaysia

There is very little in terms of international non-profit sector activity. The Malaysian Medical Relief Society (MERCY) is an NPO set by a group of doctors to provide medical assistance overseas.¹⁶²

Philippines

Sources of income for philanthropy include individuals (mostly to churches and schools), international donors, local donors (including corporations), earned income, local and national governments, and endowment funds.¹⁶³ Despite a long tradition of individual philanthropy, the sector remains mostly un-documented. However, a recent study found that 93% of individuals donated to religious purposes, 88% supported NGOs, and 85% supported family and friends in 2001.¹⁶⁴ In 1998 the Philippine Philanthropy Steering Committee was established to promote philanthropy.¹⁶⁵

According to a study conducted by the Philippine Business for Social Progress (PBSP), 92 corporations contributed \$13.1 million in 1994. The amount of average giving per corporation increased 77.5% between 1992 and 1994. The top three sectors receiving grants in 1994 were education (18%), economic development (16%), and health (11%).¹⁶⁶ According to a 2001 report on corporate giving, total giving for the year 1999 was \$4.9 million, and cash donations comprised 73% of total giving.¹⁶⁷ In corporate giving priorities, education ranked highest with 23% of total giving and the preferred region was the national capital (76%).¹⁶⁸

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162. Malaysia – International Philanthropy. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
163. Vacek, Lori A. Draft Conference Summary Paper, *Strengthening Philanthropy in Asia Pacific: An Agenda for Action*. For the Asia Pacific Philanthropy Consortium. July 2001, Bali, Indonesia. All endnotes in the table refer to specific country paper reports that were presented in the conference.
164. "Investing in Ourselves: Giving and Fund Raising in Asia," a study by Venture for Fund Raising under the auspices of the Asia Pacific Philanthropy Consortium, and supported by the Asian Development Bank, through The Asia Foundation, Nippon Foundation and United States Agency for International Development. The study examined the giving attitudes and behaviors of respondents from India, Indonesia, the Philippines and Thailand. Source: BusinessWorld (Philippines), September 25, 2002.
165. Philippine Background Paper. *Strengthening Philanthropy in Asia Pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.
166. The Philippines - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
167. The Corporate Giving Program of the RVR-AIM Center for Corporate Responsibility in the Philippines. Email from Rebolledo, Anthony Bryan J. Information Officer, RVR Center for Corporate Responsibility, Asian Institute of Management, The Philippines.
168. Ibid.

Taiwan

In Taiwan individuals traditionally have preferred donating to family members and close acquaintances.¹⁶⁹ Giving has been based on the tradition of *quanxi* or personal connections, and donations outside of immediate family were primarily for religious purposes. A government-commissioned study entitled “Trends of Taiwan Social Development” conducted in 1999 and 2000, however, estimated that 11 million individuals or 48% of the population contribute money to NPOs. In 2000 there were a total of 3 014 foundations. More than 85% of these foundations had an endowment below \$300,000 and seven exceeded \$28 million. About 70% of the foundations are private, supported by individuals and the general public; 25% are corporate; and the rest are government-linked.¹⁷⁰ The areas of activity for most foundations are culture and education (71%), followed by welfare (16%), and healthcare (4%). The total endowment of Taiwan’s largest 300 foundations was \$1.4 billion in 2000, up 37% from 1999.¹⁷¹

Thailand

There are numerous foundations in Thailand but most of them are inactive and small. Sources of income include individual giving, local foundations, international foundations and corporations.¹⁷² The focal point of individual philanthropy is the Buddhist temple. The purpose of giving is geared mostly towards community welfare, education, and health.¹⁷³

Vietnam

In Vietnam, the Communist Party and the government are the power brokers in the third sector organisations. The Vietnam Fatherland Front and the social organisations under its umbrella coordinate most of Vietnam’s philanthropic activities. Most of them provide support and services to the local community. As of July 2001, there were about 200 philanthropic foundations.¹⁷⁴

Profiles of key Asian international grantmaking foundations

The Japan Foundation Center (JFC) is a valuable quantitative source of information on Asian international philanthropy. Total expenditure of twelve prominent Asian foundations engaged in

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169. Taiwan - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
 170. Vacek, Lori A. Draft Conference Summary Paper, *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. For the Asia Pacific Philanthropy Consortium. July 2001, Bali, Indonesia. All endnotes in the table refer to specific country paper reports that were presented in the conference.
 171. Taiwan Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.
 172. Thailand Background Paper. *Strengthening Philanthropy in Asia pacific: An Agenda for Action*. The Asia Pacific Philanthropy Consortium. Bali, Indonesia, July 2001.
 173. Thailand - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>
 174. Vietnam - Philanthropy and the Third Sector Overview. Philanthropy and the Third Sector in Asia and the Pacific. A project of the Asia Pacific Philanthropy Consortium directory (APPC). <http://www.asianphilanthropy.org/>

international grantmaking in 1997-1998 was \$56 million. Table 1 below shows annual expenditures and the rank of the twelve foundations profiled in that study.¹⁷⁵

The **Sasakawa Peace Foundation** (Japan) promotes international understanding, exchange, and cooperation. Grants include support for policy oriented projects and research.¹⁷⁶ The foundation has different regional programs such as The Japan-China Friendship Fund, which seeks to deepen ties between Japan and China. The Central Europe Fund is designed to encourage democratization and support smooth market transitions in Central European countries. The Pan Asia Fund supports training for journalists and research on international economic systems to prevent a recurrence of the recent Asian economic crisis.¹⁷⁷ Sample grants include: 1) capacity building for development in Central Asia and Caucasus, Center for Effective Economic Policy in Uzbekistan (\$330 000); 2) a study of normative theory of accountability for civil society organisations at The Hauser Center for Nonprofit Organizations in the US (\$273 000); and 3) the Committee on Intellectual Correspondence of the Council on Foreign Relations in the US (\$96 000).¹⁷⁸

Table 1. Twelve International Grantmaking Foundations Profiled by the Japan Foundation Center (1997-98)¹⁷⁹

Foundation Name	Total Expenditures* \$USm
1. The Sasakawa Peace Foundation (Japan)	\$ 16.0
2. The Daewoo Foundation (Korea)	13.1
3. The Toyota Foundation (Japan)	6.0
4. Chiang Ching-kuo Foundation for International Scholarly Exchange (Taiwan)*	5.0
5. The Sumitomo Foundation (Japan)	3.6
6. The Saison Foundation (Japan)	3.6
7. Ayala Foundation, Inc. (Philippines)	3.3
8. The Iwatani Naoji Foundation (Japan)	1.2
9. Niwano Peace Foundation (Japan)	1.2
10. The Myer Foundation (Australia)	1.0
11. Himalaya Foundation (Taiwan)*	0.9
12. Novartis Foundation (Japan)	0.8

* All are total expenditures, except for #4 and 11, which are grant expenditures.

The **Daewoo Foundation** (Korea) is dedicated to improving the well-being of people and fostering the growth of academy and culture. The foundation operates in four program areas: 1) academic projects, educational institute support, and post-graduate scholarship program; and, 2) community social service projects; 3) social welfare projects; and, 4) cultural projects. In 1998, \$30 000 was given to two students, one from China and the other from the US.¹⁸⁰

175. The Japan Foundation Center. http://www.jfc.or.jp/eibun/e_index.html. When available by specific foundations, recent figures are introduced.

176. Ibid.

177. The Sasakawa Peace Foundation. <http://www.spf.org/e/index.html>. The Japan Foundation Center. http://www.jfc.or.jp/eibun/asianet/e_network.html.

178. The Sasakawa Peace Foundation program categories. <http://www.spf.org/e/project/agenda.html>

179. The Japan Foundation Center. http://www.jfc.or.jp/eibun/asianet/e_network.html. TE = Total Expenditure. GE = Grant Expenditures.

180. The Japan Foundation Center. http://www.jfc.or.jp/eibun/asianet/e_network.html.

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The mission of **The Toyota Foundation** (Japan) is to realize greater human fulfilment and contribute to the development of a human oriented society. The foundation's main geographic focuses are Japan, Southeast Asia and a general international focus. Annual program areas in Southeast Asia include: 1) an international grant program for indigenous research in Southeast Asian countries (\$622 000); 2) incentive grants for young Indonesian researchers (\$83 000); and, 3) The Know Your Neighbors program to support translation and publications of Southeast Asian, South Asian and Japanese books (\$207 000). The foundation allocates \$1.7 million to a research grant program under the theme of "Creating a Society with Pluralistic Values."¹⁸¹

Chiang Ching-kuo Foundation for International Scholarly Exchange (Taiwan) was established to promote Chinese studies and to enhance international scholarly exchange. The foundation's grants focus on Chinese cultural heritage, classical studies, and any subjects related to the Republic of China. Types of grants include institutional enhancement, research grants, conference grants, publication support, senior scholar grants, and fellowships for PhD dissertation and post-doctoral research. Sample grants for 1996-1997 include: 1) the University of Colorado, Denver for "Traditional Culture and China's Historical Path in the 20th Century" (\$200 000); 2) New York University for "Assistant Professor in Modern Chinese History (\$168 685 for 3 years); and, 3) the Institute of Economics, Academia Sinica with University of Wollongong in Australia (\$2.1 million for to 2 years).¹⁸²

The Sumitomo Foundation (Japan) was established to contribute to the betterment of human society. The foundation's main geographic focuses are Japan, East and Southeast Asia, and global. Program areas with international focus include: 1) grants for Japan-related research projects in social science and humanities to be carried out by East and Southeast Asian researchers (\$300 000); 2) grants for cultural projects outside Japan (\$165 000); 3) grants for environmental research (\$870 000).¹⁸³ Other grants for 2001 include: 1) restoration and analysis of textile fragments, to the Amano Museum, Peru (\$20 300); and 2) conservation and restoration of classical Maya royal masks from Aguateca, Guatemala, to the University of Arizona (\$18 900).¹⁸⁴

181. The Toyota Foundation. <http://www.toyotafound.or.jp/etop.htm>. The Japan Foundation Center. http://www.jfc.or.jp/eibun/asianet/e_network.html.

182. The Japan Foundation Center. http://www.jfc.or.jp/eibun/asianet/e_network.html.

183. Ibid.

184. The Sumitomo Foundation Fiscal 2001 subjects of grants. <http://www.sumitomo.or.jp/e/index.htm>

Summary of Asian Philanthropy by Country and Key Variables

Country	Nos. and Type of foundations	Giving by Corporate Philanthropy	Giving by Individual Philanthropy	Giving by Sectors
Australia		Total income for Australia's NPO in 1995-96 was \$14.2 billion	In 1997 \$2.1b to non-profit; \$180m to governmental orgs. Total volunteer time (374 million hours) valued at \$5.6b	Religion – 37%; Social service – 17%; Education and Research – 16.4%
Bangladesh	Individual; Corporate (22, 000 registered NGOs); Foundation/Trust; Religious	Estimated at .05% of total revenues		Main activity is in social welfare. By individuals: predominantly to religious organisations (on average, 80% of households). Education and research (on average, 29.3% of households).
China	About 1,800; estimated 5% at the national level.		In 1998 \$1.39b; 769.57 million volunteered 19 billion hours	Most is given locally. It is not accustomed to give to strangers
Hong Kong	Mostly gov. funded NGOs; The Hong Kong Jockey Club Charities Trust and the Community Chest charities are the dominant philanthropic entities. Philanthropic entities total allocation: \$163m in 2000/01.	10% of total giving; \$109m in 1999; other estimates say as high as \$333.3m. The largest contributor to charitable causes (70%)		Education, health, and social services
India			96% of upper and middle class urban households donate to charitable causes a total of \$338.6m	"To relief distress of victims of calamity" (21%). Most individual contributions are made to religious organisations
Indonesia		\$11.53m in 2001	Based on the Muslim tradition of <i>Zakah</i> , which amounts to 2.5% of annual savings. Mostly to religious organisations	Social service 34.1%; Education 25.4% Most of individual giving is to religious organisations
Japan	Since 1998, about 3,500 NPOs have been incorporated number of newly-established grantmaking foundations has been declining since 1991	\$1.14 billion (with 64% giving, and 36% volunteering).	Mostly done through the <i>chonai-kai</i> (community groups), which collected \$150m	
Korea	4000; 89 corporate foundations involved in grant making. Type: Corporate or company sponsored; scholarship; government-funded.	In 1995, total budget was \$410m, 22.5% increase from 1994.	According to one study 10.8% of taxpayers claimed negligible tax deductions. 63% reported that they donated an average of US\$197.95 to charity in 1999	Individual is geared towards social welfare and education. Corporate-founded medical and cultural institutions (86.5%), social welfare programs (4.9%), education (4.3%), and scholarship and research (4.3%).
Philippines		92 corporations contributed \$13.14m in 1994 (increase of 77.5% from 1992).	Undocumented. But most generous cash donations from individuals are to churches	Religion. Community-based needs. Top 3 in 1994: Education – 18%; Economic development – 16%; Health – 11%
Taiwan	3,014		Mostly to family members and close acquaintances	Culture and education (70.6%), welfare (15.9%), healthcare (4%). Individuals give mainly to relatives and for religious reasons.
Thailand				Mostly to or through the local Buddhist temple. Geared mostly towards community welfare, education and health
Vietnam	200 as of July 2001. Type: Many are coordinated through social organisations to help the local community			Most are set for local community purposes, especially to help the poor.

ANNEX D

THE ROLE OF FOUNDATIONS IN SPANISH CO-OPERATION

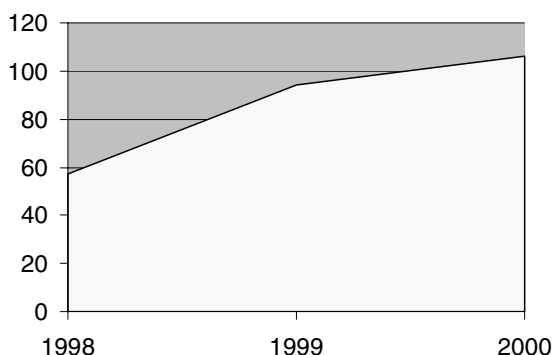
By Carlos Asenjo Ruiz, Lecturer,
Economics Department, Autonomous University of Madrid

International co-operation is part of the regular activity of Spanish foundations. Recent investigation reveals that more than 10% of them undertake development co-operation activities. It also estimates Spanish foundations channelled 106 million euros to developing countries in 2000, 12.8% more than in 1999. While NGOs remain the main private source of the Spanish co-operation, foundations also play an important role with 38.1% of the total private flows. Other actors include corporations, banks and savings agencies.

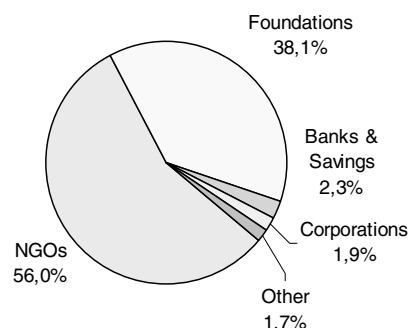
Most Spanish foundations undertake co-operation activities in Latin America, and many concentrate on this region, which accounts for 38.7% of foundation disbursements in 2000. The second recipient area was Asia, with 22.3% of the flows, which is mainly explained by the more than 10 million euros channelled to the Indian state of Andhra Pradesh by the *Vicente Ferrer Foundation*. Sub-Saharan Africa, where some of the largest Spanish foundations are active, e.g. *Ayuda en Acción* and *Intermon-Oxfam*, received 11.4% of flows, and the Middle East and North Africa accounted for 7.9% of the funds, the remaining 19.9% being unallocated by region.

While foundation goals include the desire to focus on the most vulnerable groups of the population, the sectoral diversity is broad, and in many cases, not specified by the foundations. Among the specified activities, the most relevant sector is *Health*, which accounts for more than one third of total specified funds, largely due to the contributions of the *ANESVAD* Foundation. Other important sectors were *Education* (10.3% of specified contributions), *Government and Civil Society* (9.7%), *Water Supply and Sanitation* (6.8%), *Emergency Assistance* (6.8%), and *Food Aid* (6.7%).

Evolution of Spanish foundations flows to developing countries

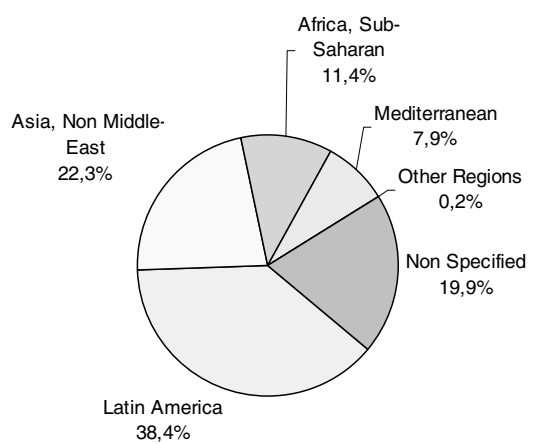


The private sector of the Spanish Cooperation

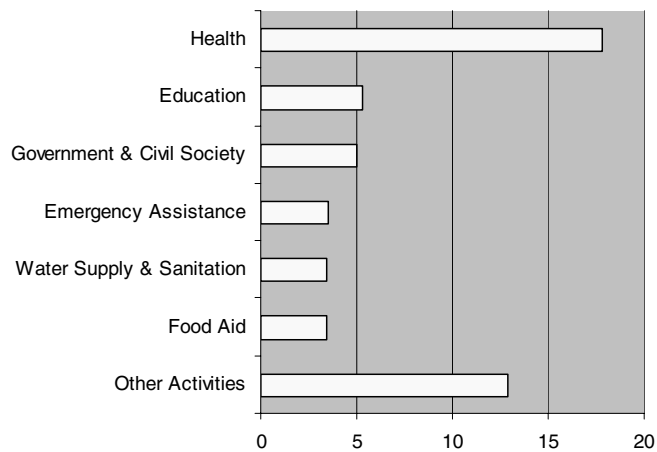


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Flows distribution by region



Flows distribution by sector



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