The Index of

Global Philanthropy

2006

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Director's Welcome

Dear Readers,

The *Index of Global Philanthropy* has its origins in 1988 when USAID administrator Alan Woods produced a report called *Development and the National Interest: U.S. Economic Assistance into the 21st Century*, proposing a new vision for foreign aid. Many of us working for him shared his belief that foreign aid had lost its path by ignoring the root causes of economic growth and prosperity.

It was in this report that American international private giving was first discussed. The estimates were crude and incomplete, but we were able to find sources for at least $12 billion—more than twice the amount of U.S. government foreign aid at the time.

Almost 15 years later, Andrew Natsios, then administrator of USAID, asked me to take a closer look at private giving data. These numbers—from foundations, corporations, private and voluntary organizations, universities, religious organizations, and individuals —were published in the 2002 USAID report *Foreign Aid in the National Interest*. We were able to document at least $33.6 billion—more than three times U.S. official aid.

Since that report, there have been dramatic shifts in U.S. assistance—both public and private—to the world's poor. U.S. government foreign aid, called official development assistance (ODA), doubled between 2000 and 2004—from $9.9 billion to $19.7 billion. This increase reflects the creation of the government's Millennium Challenge Corporation, whose goal is to provide merit-based foreign aid to developing countries, increased aid to the Middle East, particularly Afghanistan and Iraq, and support for the largest single disease-fighting campaign by any country in history, the President's Emergency Plan for AIDS Relief (PEPFAR).

Private overseas giving by Americans has increased as well. In 2004, they gave at least $71 billion to poor people abroad. What struck me in working on this first *Index* was the explosion in the number of NGOs that promote entrepreneurship by helping start-up businesses with training and acquiring venture capital. Traditional international grantmakers such as Ford, Rockefeller, Carnegie, and MacArthur, are now joined by multinational companies, business schools, investment bankers, and new foundations in finding new ways to help poor people prosper.

Traditional private and voluntary organizations like Catholic Relief Services, CARE, Save the Children, and World Vision have new colleagues who are experimenting with online giving to overseas projects, cutting out middlemen and expensive overhead, and striving for maximum transparency and accountability. Technology is letting poor people and communities design their own projects and compete in the marketplace.

The new thinkers and actors in the development community don't regard the poor as victims unable to help themselves, or as "target groups"—the appalling term used at USAID when I was a career foreign service officer there in 1971. People are recognizing more and more that the "poverty penalty," as University of Michigan business professor C. K. Prahalad calls it, prevents poor people from prospering because they pay exorbitant interest rates, cannot afford property and thus have no collateral for credit, and face tremendous government barriers to creating their own businesses.

One of the biggest developments in reducing poverty, however, has been the recognition and better measurement of personal remittances—money that immigrants and temporary workers in developed countries send back to their families and villages in their home countries. The Hudson Institute first highlighted this phenomenon in 2000 before extensive measurement was underway. Since then, remittances, or "the diaspora that fuels development," as *Foreign Policy* called them, have burst onto the global development stage as a vital tool in creating wealth in the poorest conditions. The World Bank, Prime Minister Tony Blair's *Commission on Africa* report, the Inter-American Development Bank, and numerous scholars and policy makers have recognized the importance of remittances. Larger than foreign direct investment and ODA from all countries combined, remittances are reducing poverty throughout the world.

With private assistance and investment dwarfing ODA, foreign aid is "privatizing." Government aid agencies are only just beginning to figure out what to do with this new economic reality.

We hope the *Index* will help people understand this new world of giving, which engages poor people as active partners, not as helpless pawns waiting for the next installment of cash. We believe that the sheer act of measuring and documenting private giving and its positive effects will lead it to grow yet more. We believe that by sharing the plethora of new global philanthropic approaches and projects, these will expand and be replicated. We believe that the world's attitude toward foreign aid, private giving, and creating prosperity must undergo a dramatic shift before poverty can be reduced in a far-reaching and lasting way.

Government foreign aid should, to the greatest extent possible, merge with private projects and local contributions, so that government funds are not the only money on the table. Only then can government funds pass a crucial "market test," which means that a project is capable of raising private money and recruiting volunteer time. Only then can it provide aid that reaches people directly, builds peer-to-peer relationships, and creates lasting institutions.

It's time to create a strong philanthropic sector in developing countries. Helping poor countries set up new tax structures, governance models, corporate matching programs, and community foundations should be a top priority of U.S. philanthropy.

All members of the development community, whether governments or private philanthropists, need to shed the "donor" mentality and become true partners with the people of the developing world. Only if the poor are enabled to reduce their own suffering, can their lives be improved for good.

Carol Adelman

Dr. Carol C. Adelman
Director, Center for Global Prosperity
Hudson Institute

From the Editor

Dear Readers,

Welcome to the inaugural issue of the *Index of Global Philanthropy*.

As you can imagine, setting out to measure the sources and amounts of private U.S. donations to the developing world is quite an undertaking. It didn't make the task easier that there are so many sources of American charity—corporations, foundations, voluntary organizations, universities and colleges, religious organizations, and other generous groups and individuals, all of them giving time, energy, and money to help people in poor countries build better lives.

There is no easy way to get these numbers. There is no central collection of statistics. The numbers presented in these pages are the result of detailed and extensive research, and we have made a concerted effort to check and verify each piece of information to provide a reliable measure of U.S. giving to the developing world.

The methodologies used to determine the results presented here are included. Many of the numbers are based on years of research done by Carol Adelman and the Hudson Institute's Jeremiah Norris, whose brainchild this *Index* is. As we publish a new *Index* each year, we will continue to look for ways to complete and refine our data, developing original surveys where necessary, and broadening our scope ever further, eventually including overseas private giving from Europe and other parts of the world. There is a vast untapped universe of data waiting to be explored.

The *Index* also includes some of the remarkable success stories of private giving made possible by American generosity.

This *Index* was made possible by the hard work of tenacious analyst Catherine Cleland and economist Alan Fairbank, unfaltering Hudson senior fellow Jeremiah Norris, tireless research associates Samantha Grayson and Jean Weicher, four stellar interns, and the insights of Hudson vice president Bob Borens. None of this work could have taken place without the nurturing environment of our home, the Hudson Institute.

Does aid to the developing world count only when it comes from the government? Is America stingy? No one associated with this project thinks so. But don't take our word for it. Look at the numbers, read the success stories, and judge for yourself.

Karina Rollins
Editor

The Index

America and the Developing World: Government Aid, Philanthropy, and Private Investment

Philanthropy: Love to mankind. Practical benevolence to men in general. The disposition of active effort to promote the well-being and happiness of one's fellow man. —Oxford English Dictionary

The active promotion of the well-being of one's fellow man involves helping those in need, and sums up what lies at the heart of "private giving" in America and across the globe.

In 1958, the *Encyclopedia Britannica* included this entry: "The most impressive fact about philanthropy in the U.S. during the first half of the twentieth century was the scale at which it continued in spite of the vast expansion of government funds for education, health, research, and welfare."

The same holds true for American philanthropy overseas. Regardless of the level of foreign aid from their government, Americans have continued to express their generosity by giving their time, energy, and money to people and organizations abroad. Private charity is as American as, yes, apple pie.

The tradition of private giving is considerably less developed in Europe than in the U.S., and data on private giving by Europeans are limited. Europeans have traditionally relied on government aid both for their own poor as well as the needy abroad. In contrast, Americans give abroad—at least $71 billion per year—as they do domestically: primarily through the private sector. The *Index* will examine these trends in more depth in future editions. (See Box A for a brief discussion of European private giving abroad.)

Introduction

The objectives of the *Index of Global Philanthropy*, the core product of Hudson's Center for Global Prosperity, are threefold:

• To present the most accurate data available on the amount and nature of international private giving—from foundations, corporations, private and voluntary organizations, religious organizations, universities and colleges, and individuals;

• To demonstrate that government aid as the sole measure of a country's generosity is outdated and incomplete, primarily because it excludes international private philanthropy and investment, and that government programs are not the only, nor the best, means of reducing poverty abroad;

• To provide examples of successful alternatives to traditional government foreign

Private Giving in Europe

There are limited studies of European and Asian giving. The Hudson Institute conducted literature searches and analyses at the request of the OECD in 2003.[1] While the tradition of foundations started in Europe, they developed much more slowly there during the twentieth century. It was not until the latter part of the century, after the end of a depression and two devastating wars, that foundations began to re-emerge in Europe. According to an OECD survey on European foundations, however, their size and scope remain limited by high levels of personal taxation.[2]

The report cites cultural factors as well, since Europeans are more likely to believe that the state, not the private sector, should provide for the welfare of the poor. The trend, however, is toward an increase in foundations and private giving as a result of new taxation policies that allow deductions for charitable donations in some European countries.

Hudson research on European foundations was conducted in 2002, using data from the European Foundation Center and various individual studies. We estimated that 85,000 foundations in Europe fit a similar definition of U.S. private charitable foundations. Sweden had the highest number, followed by Denmark, Britain, Germany, and Switzerland. Foundations appear to concentrate on education, social services, and healthcare, and their number has grown dramatically in the last three decades, with two of every three established after 1970. The highest growth rate took place in countries that reformed their laws governing non-profit organizations.

In 2002, some of the largest foundations were the U.K.'s Wellcome Trust, Portugal's Gulbenkian Foundation, Italy's Compagnia di San Paolo, and Germany's Volkswagen Stiftung and the Bertelsmann Foundation. Foundation reporting did not break out international from domestic expenditures, and we could only estimate a range of international private giving between $350 million and $1.5 billion for all European foundations. Increased interest in measuring private philanthropy in Europe and other regions will yield more accurate numbers in the future. Buzz Schmidt, founder of GuideStar, an information service that makes the tax return data of charitable organizations available online, has launched the service in Britain. Other GuideStar versions are planned in Australia, India, and South Africa.

BOX A

aid programs—which embrace a "market test" for foreign aid, help people more directly and transparently, provide peer-to-peer relationships, and create lasting impact and institutions in developing countries.

Part I of the *Index* focuses on the nature and causes of prosperity and the role of the U.S. government as well as private aid and investment abroad. As more resources become available, Hudson will expand the analysis to include more comparative evaluations of government and private aid as well as private giving from European and other countries.

Part I also examines the historical levels of government foreign aid, or official development assistance (ODA), as it was named by the Organisation of Economic Co-operation and Development (OECD), a Paris-based group of industrialized-nation donors that establish the guidelines for determining levels of official assistance for each country. Since government aid is commonly viewed as the main, if not only, form of assisting poor countries, it will serve as a useful reference point for the discussion on private giving. The *Index* presents an updated, more complete measurement of aid and assistance to the developing world—one that encompasses government aid, private philanthropy, and private investment.

In Part II of the *Index*, we highlight success stories in private giving and present real-life alternatives to traditional foreign aid programs. These projects involve private philanthropy, public-private partnerships, and entirely new models for helping people abroad.

Because private international giving has not been well researched, even the *Index's* numbers underestimate the actual level of giving. The *Index* builds on Hudson's prior work: In 2002 we produced the first comprehensive data ever published on U.S. private international giving, followed by an update in 2005.[3]

For the data in the *Index*, we have improved our methodologies, especially to control for double-counting. The methodologies are presented in Part III, where we explain how and why our numbers differ from other sources such as the U.S. Department of Commerce's Bureau of Economic Analysis (BEA), and private research done by the Indiana Center on Philanthropy in its publication *Giving USA*, and new research conducted by the Urban Institute.

The U.S. Agency for International Development (USAID), which has responsibility for reporting all U.S. ODA, private charity, and investment numbers to the OECD, currently uses private giving numbers from the BEA despite USAID's recognition that the BEA numbers are an incomplete measure of U.S. private giving abroad.[4] The Center for Global Prosperity is cooperating with USAID to improve the private giving numbers it sends to the OECD, and the research for the *Index* is a first step in that process.

Giving More Money to the Poor

"What the Africa Commission, the Millennium Development Report, the World Bank, and IMF have all found is that right now poor countries could usefully absorb a tremendous increase of money.… There is a professional understanding that the money is needed to break the poverty trap and save lives and that the money can be effectively used."[7]

—Jeffrey Sachs, economist, Columbia University

"What we need to do is increase the totality of money that is given to the poorest areas.… I absolutely believe that there is a need for the world to focus much more on the issue of poverty than we have up to now."[8]

—James Wolfensohn, former president, World Bank

"I want to suggest to you today that you see the flow of effective foreign assistance as tithing…which, to be truly meaningful, will mean an additional 1 percent of the federal budget tithed to the poor.… To give 1 percent more is right. It's smart. And it's blessed."[9]

—Bono, U2 lead singer

BOX B

The Causes of Prosperity

Despite explosive growth and progress in the industrial world over the past century, poverty plagues large parts of the globe. Many countries still lack the open markets and open societies that are imperative to creating the conditions for economic growth.

The debate on government management of economic resources raged over the past century. Today, not many economists doubt that free and private markets are the factors that drive economic growth. Experience consistently demonstrates the high correlation between freedom and prosperity. Nations with economic and political freedom—and the people who live in them—become more prosperous, more quickly.

Nevertheless, economic development is still often dominated by the statist approaches defended by a small minority. Mary O'Grady, Latin America expert and *Wall Street Journal* editorial board member, argues against the notion, popular in development circles, that Latin America has tried the free market model and failed. She describes the countries of Latin America as "stubbornly stuck in a statist time warp," with their excessive regulation and overtaxing of businesses and flimsy property rights.[5] Development advocates often presume that official foreign aid is essential to eradicating poverty abroad. This presumption, while held by well-intentioned advocates, may *impede* incentives for developing appropriate market institutions.

The old way of thinking still persists in development circles like the United Nations' Millennium Project, whose goal is to cut global poverty in half by 2015—mainly by doubling Western government aid to developing countries.[6] The U.S. government alone would have to almost quadruple its current aid level to $80 billion to fulfill these U.N.-determined responsibilities. Government aid officials, opinion elites, and major media have been joined by movie and rock stars in demands for increased government aid to end poverty.

False Assumptions

The Millennium Project's approach leads to the well-known accusation that the U.S. is "stingy," an obstacle to, not a generator of, global economic growth and prosperity. The assumptions inherent in this accusation are:

- Foreign aid is the key determinant to economic development;
- A fixed percentage of donor nations' gross national income (currently 0.7 percent) is the correct standard for determining the adequate level of foreign aid;
- Government is, and should be, the prime source of overseas assistance.

Yet a vast literature now exists demonstrating that the correlation between government development assistance and economic growth is weak. Foreign aid is successful only if recipient governments have open societies and open markets. In most cases, foreign aid appears to have no effect on economic development whatsoever. At worst, aid can cause harm, by enabling inefficiency and corruption.

In his landmark book, *The Wealth and Poverty of Nations*, David Landes writes: "History tells us that most cures for poverty come from within. Foreign aid can help, but like windfall wealth, can also hurt. It can discourage effort and plant a crippling sense of incapacity…at bottom, no empowerment is so effective as self-empowerment."

President John F. Kennedy was even more clear about the limits of foreign aid. In his message to Congress in April 1963 he states: "Both this nation and the countries we help have a stake in their reaching the point of self-sustaining growth….when their economies will have been launched with sufficient momentum to enable them to become self-supporting…. The record clearly shows that foreign aid is not an endless or unchanging process."[10]

As Thomas Dichter—who served for forty years on development projects with the World Bank, USAID, and multiple NGOs—writes, "Saying that aid cannot solve world poverty is not saying that world poverty is doomed to continue."[11] India and China, which received very little foreign aid, now enjoy stunning economic growth.

For more thorough analyses of foreign aid effectiveness, see Box C for a summary of the excellent work on this topic by former World Bank economist and economics professor at New York University, William Easterly and others.

One of the goals of the Millennium Project is that each of the 22 donor countries of the OECD's Development Assistance Committee (DAC) give 0.7 percent of their gross national income (GNI) to the developing world. By this standard, the United States, whose ODA is under 0.2 percent of GNI for 2004 (the last year for which data are available), looks "stingy" indeed.

The problems, however, are clear. First, this approach presumes the effectiveness of foreign aid. Second, the 0.7 percent of GNI is a figure generated by political consensus, with no meaningful economic basis. (See Box D for the history of this now-presumed "correct" percentage for each donor.) Third, this calculation ignores private international giving.

On the Effectiveness of Foreign Aid

During the past five decades, official development assistance from all donor governments to developing countries has amounted to $2.3 trillion. While some of this aid has been humanitarian—for famines, floods, and other disasters—the main purpose of aid has been to increase economic growth and reduce poverty. But foreign aid has not succeeded in achieving these goals.

In June 2005, researchers at the International Monetary Fund examined effects of aid on economic growth in developing countries (Working Papers 126 and 127) and found "little robust evidence of a positive (or negative) relationship between aid inflows into a country and its economic growth." They concluded that "aid inflows have systematic adverse effects on a country's competitiveness, as reflected in a decline in the share of labor intensive and tradable industries in the manufacturing sector [stemming] from the real exchange rate overvaluation caused by aid inflow." They also noted that "by contrast, private-to-private flows like remittances do not seem to create these adverse effects."

Data from 1981 to 1993 analyzed in the May 1997 *World Bank Economic Review* showed that economic growth reduced poverty and did not increase income inequality. The data on world poverty from 1981 to 2001 showed discouraging trends, according to the 2004 *World Bank Research Observer* No. 2. While the number of those living in "extreme poverty" (on less than $1 per day) declined, almost all of this decrease occurred in China and had little to do with development aid. For those living on $1 to $2 per day, there was a dramatic 60 percent *increase* in poverty—to 1.6 billion people.

The *American Economic Review* published a study in September 2000 showing that "aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies, but has little effect in the presence of poor policies." Economist William Easterly and others have since challenged even this claim of success.

While data show that government aid does not reduce poverty, this does not mean that other approaches to aid cannot work. As the IMF researchers concluded: "For aid to be effective in the future, the aid apparatus (in terms of how aid should be delivered, to whom, in what form, and under what conditions) will have to be rethought."

BOX C

The Broader Problem

As mentioned, in the United States, most international assistance, just like domestic aid, comes from the private sector. The old line of thinking makes governments the center of the development process. As William Easterly says, "This is bad news for the poor."[17] He notes: "Seventeen years after the fall of the Berlin Wall, there is only one major area of the world in which central planning is still seen as a way to achieve prosperity—countries that receive foreign aid."[18]

Massive foreign aid transfers through governments are prone to top-down, one-size-fits-all approaches. Even the most well-meaning and well-planned government aid project runs up against the usual barriers in developing countries. Shipping and customs delays, along with high tariffs, spur rampant bribery. Storage and in-country distribution problems, due to poor roads and electricity shortages, cause indefinite delays. A broken healthcare system will be unable to distribute any goods without diversions and further bribes—the doctors and nurses working in the clinics haven't been paid for several months. They may well sell life-saving goods to people who don't need them as much as others. Goods that do reach the intended recipients are likely to be sold because the income will be more important to a family's survival than the medicine. In short, single solutions funded by rich donors through inefficient and often corrupt governments are not the best way to deliver goods and services, or to reduce poverty.

In his book, *The End of Poverty*, Jeffrey Sachs argues that poor countries are corrupt because they are poor, and that when measuring corruption, they should be compared to each other, not by any objective standard.[21] Based on such reasoning, both Sachs and rock star Bono believe that corruption in Africa is exaggerated. But, as Carnegie Mellon economist Adam Lerrick points out in his report released by the Joint Economic Committee of the U.S. Congress: "The stolen dollars stashed away in private accounts in off-shore banks are estimated at $95 billion…. Others estimate the level in excess of $500 billion."[22] African scholars from the Institute of Public Analysis in Nigeria continue to document many examples of graft and corruption. "Without domestic reforms," they warn, "African politicians will line their pockets, but Africa will remain desperately poor."[23] Transparency International, the world's leading anti-corruption NGO, gives most of the African countries poor or very poor grades. Ghanaian-born Dr. George Ayittey provides detailed accounts of the impact of corruption in Africa on its people in his book *Africa Betrayed*.[24]

Not just African academics are aware of fraud and mismanagement by their governments. This February, 3.5 million Kenyans were near starvation due to drought in the north. As the *Washington Post* reported, "Kenyans are blaming government corruption, not Mother Nature, for their dire situation." Kenyan hotel manager Killian Lugwe lamented: "We're all counting those millions stolen and looking at those suffering in the north. We have to speak out and endure what must be hard growing pains to clean up Kenya. Maybe then the next round of leaders will think twice before stealing."[25]

The 0.7 Percent "Solution"

Many people, from editorialists at leading newspapers to celebrities, have opinions on the 0.7 percent of GNI aid target held up by the OECD as the requirement for reducing poverty. "What is 0.7 percent of the American economy?" asked the *New York Times*. "About $80 billion…. At a time when rich countries are mounting a noble and worthy effort to make poverty history, the Bush administration is showing itself to be completely out of touch by offering such a miserly drop in the bucket." [12] Bono, lead singer for the Irish rock band U2, has his own take on the arbitrary percentage: "I think there was a commitment made by the wealthy nations of the north, like 25 years ago, to move their foreign assistance from their average of 0.3 or 0.4 percent of GDP up to 0.7, and rather the opposite happened." [13]

In fact, the idea of a fixed percentage for development aid dates to almost fifty years ago when the Central Committee of the World Council of Churches called for industrialized countries to devote 1 percent of their national incomes to international development.[14] Over the years, the target was changed to 0.7 percent by the United Nations and then the OECD, but there was no discussion of just why this percentage was the right amount. The target has no bearing on the quality of aid projects, their effectiveness, negative impacts on developing country exchange rates, or on a country's ability to absorb the money.

The target, like many U.N. pronouncements, has been around for a long time. The 1969 Pearson Report on reforming foreign aid, "Partners in Development," called for the 0.7 percent donation goal to be met by 1975. Only five OECD donors, however, have ever met that goal, and another donor, Germany, announced less than a year after pledging aid at 0.7 percent of GNI by 2015, that it cannot keep this promise.[15]

In a one-time and uncharacteristically candid statement, a 2001 OECD report provided a more realistic assessment: "Despite some calls for a doubling of aid volume and for bilateral donors to meet the United Nations 0.7 percent ODA/GNP target… the political reality of aid suggests that, at the aggregate level, expectations of these magnitudes will not be met. Even if they were, it would not solve the problem, nor could many developing countries deal effectively with any such surge."[16]

BOX D

Many government foreign aid projects are poorly evaluated and provide little feedback to people who originally planned them. The incentive is to "obligate" or "commit" funds, not to measure how well the funds are spent. In 1999, the World Bank conducted an internal evaluation of 107 health projects it had funded and determined that: "The Bank does not adequately assess borrower capacity to implement planned project activities; notably lacking in most Bank analysis is an adequate assessment of demand for health services; we know little about what the Bank has 'bought' with its investments."[26]

Helping the Poor Create Prosperity

"There is now a good opportunity to begin advocating for freedom, democracy, and the enshrinement of clearer and more precise property rights regarding common goods that are all too often considered in Africa as state property. For common goals, we need common approaches based on rights and individual freedoms, which the signatory states should promote. Rich countries cannot be the only democracies in the world while poor countries are forced to content themselves with anti-democratic regimes. Developed countries should not maintain economic freedom exclusively for themselves and condone the collapse of countries receiving their assistance beneath the yoke of liberticidal regimes and protectionist pacts. Africa needs free trade and democracy….

The level and flow of aid dollars matter less than improving governance in poor countries and interstate relations at the global level. We ask the developed world to work effectively with us to end unfair trade practices, to promote freedom, economic development, and the rule of law, and to assure a better future for all the children of our continent."[19]

—*Mamadou Koulibaly, president, National Assembly, Ivory Coast*

"Of course, no nation has ever grown rich due to other nations' pity. The creation of prosperity is an active process. When Africans recognize this as the real challenge, we logically have to ask ourselves: What are the forces in society that seek out and create prosperity? The answer: private enterprise!"

"Development aid equips African rulers with easily made money—from which stems their disrespect of their own people as well as their submission to the international money givers. Development aid undermines democracy. Over the past forty years, it has made Africa's thieving politicians rich and kept dictatorial regimes in power, while the continent became ever poorer."

"What Africa needs from the West are the contributions not of the most generous, but of the most entrepreneurial. It needs not the most self-righteous, it needs the most highly self-interested."[20]

—*Andrew Mwenda, journalist,* Daily Monitor *in Uganda, former consultant for the World Bank*

BOX E

Significance of the Debate

It is critical that developing countries focus on encouraging individual initiative and developing free institutions in order to move out of economic malaise. Continuing with statist approaches will not only perpetuate poverty, but hinder the troubled societies which threaten global security today.

The United States remains the most powerful generator of wealth and prosperity in the world. It is the most philanthropic nation on earth. Americans are anything but stingy and uncaring. But it is important that the private giving of European and other developed nations be measured and encouraged. Our goal is to produce a truly global *Index* that will ultimately reflect not just U.S. giving, but private philanthropy from all countries to the developing world.

Government Foreign Aid

Over the last fifty years, the West has given developing countries more than $2.3 trillion in economic and humanitarian aid.[27] The different types of U.S. foreign aid—humanitarian relief, security assistance, and economic development—have had different degrees of success.

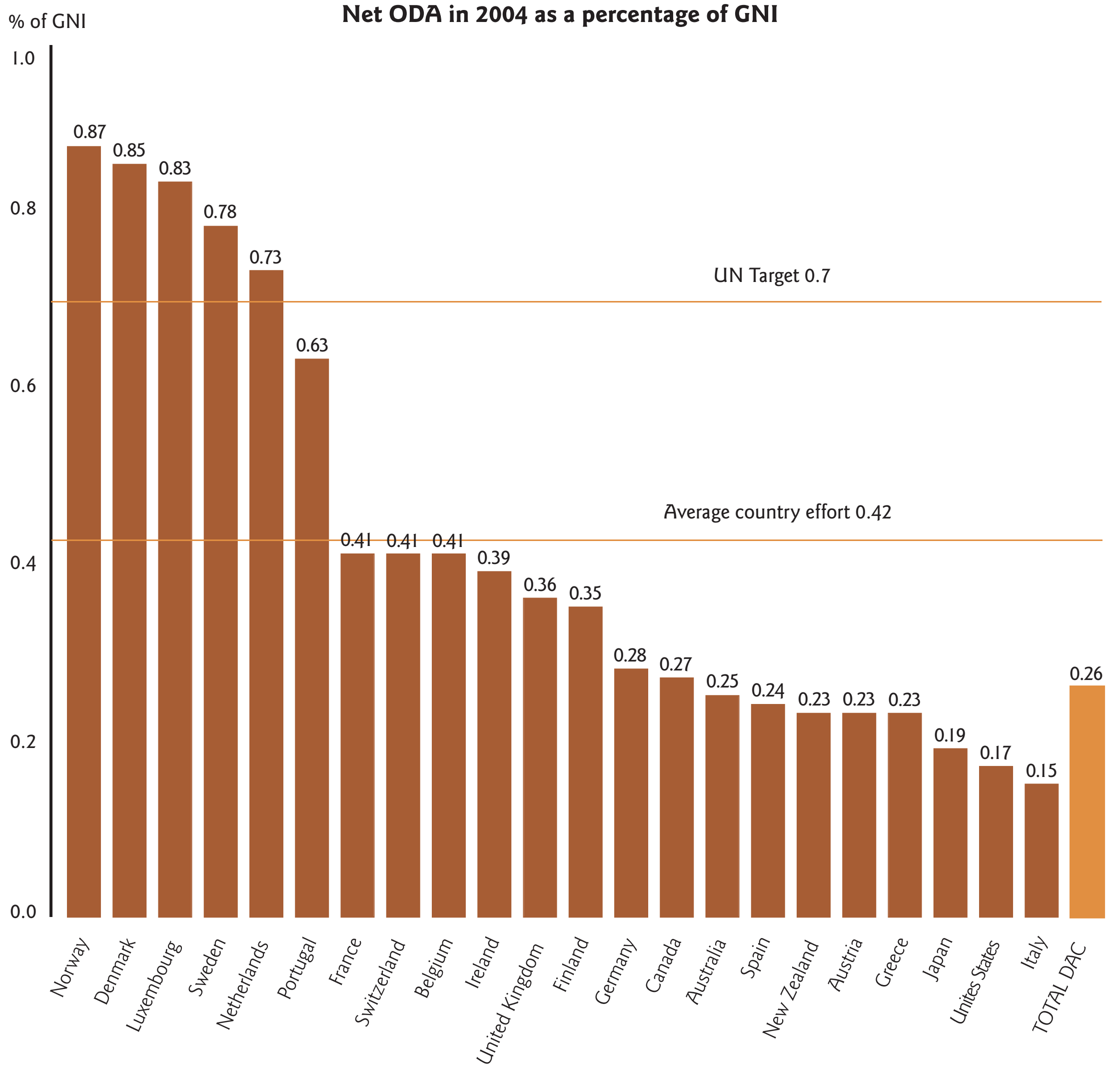
Disaster relief and humanitarian assistance have been most effective, and enjoy the highest degree of support from the American public. Security assistance—foreign aid to countries where the U.S. has had strategic interests in combating communism, promoting peacekeeping, maintaining military bases, and controlling nuclear weapons and narcotics—has mixed support. Deemed least effective, however, has been government aid for economic development—where positive results have been extremely sparse.

Country comparisons of government foreign aid, or ODA, are published annually by the Development Assistance Committee of the OECD. Countries are compared by a "donor performance" measure that is based on the amount of aid as a percent (currently the well-known 0.7 percent) of gross national income.

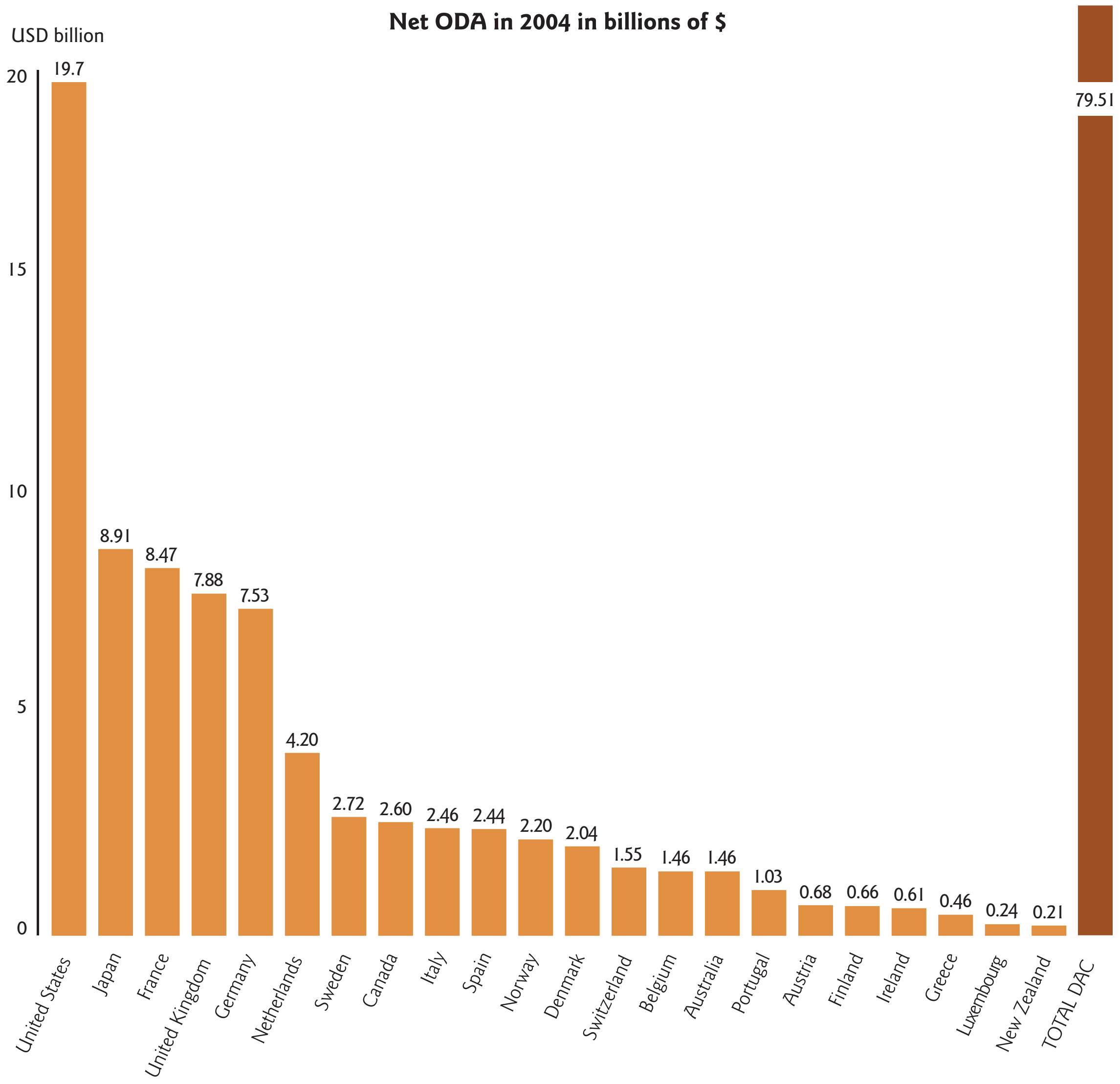
For many years, U.S. government aid has ranked last among developed countries as a percent of GNI. The latest data (from 2004) show that the U.S. now ranks second to last, just ahead of Italy. Chart 1 shows that U.S. government aid is 0.17 percent of its GNI, while Norway, Denmark, Luxembourg, Sweden, and the Netherlands give more than 0.7 percent of their GNI to developing countries.

CHART 1

Net ODA in 2004 as a percentage of GNI



Source: Organisation for Economic Development and Co-operation (OECD), Development Co-operation Report 2005, Vol. 7, No. 1, 2006.



Source: Organisation for Economic Development and Co-operation (OECD), Development Co-operation Report 2005, Vol. 7, No. 1, 2006.

CHART 2

Chart 2 shows that in absolute amounts—almost $20 billion—the United States government is by far the *largest* donor.

Despite providing the largest amount of government foreign aid, being close to last as a percentage of GNI troubles Americans, as they think of themselves as a generous people. The U.S. invests the most overseas, provides the most military support when global disasters strike, produces the bulk of the world's research and development for better food and medicines, and provides preferential trade agreements that support imports from developing countries.

In 2004, American private giving through foundations, corporations, voluntary organizations, universities, colleges, religious organizations, and immigrants sending money to families and villages back home, totaled at least $71 billion—over three and a half times U.S. government development aid.

Rather than just focusing exclusively on foreign aid, a more useful way of measuring a country's impact on developing countries is to look at its total economic engagement with poor countries. The following table, using the latest available numbers for U.S. ODA and private capital flows in 2004, along with Hudson's updated numbers for private giving for the same year, provides a better understanding of America's full relationship with developing countries.

U.S. Total Economic Engagement with Developing Countries, 2004

	Billions of $	Percent
U.S. Official Development Assistance	19.7	20%
U.S. Other Country Assistance	1.6	2%
U.S. Private Assistance	71.2	72%
Foundations	3.4	3%
Corporations	4.9	5%
Private and Voluntary Organizations	9.7	10%
Universities and Colleges	1.7	2%
Religious Organizations	4.5	5%
Individual Remittances	47.0	48%
U.S. Private Capital Flows	6.5	6%
U.S. Total Economic Engagement	$99.0	100%

Sources: OECD, 2006, Hudson 2006.

TABLE 1

Table 1 shows that ODA at $19.7 billion is only 20 percent of total U.S. economic engagement with developing countries, or what are called "Part I countries" by the OECD. This number includes the budget for the U.S. Agency for International Development, the Peace Corps, State Department refugee and humanitarian programs, contributions to the World Bank and other multilateral agencies, international programs in other U.S. government agencies, and some Defense Department humanitarian functions. Not allowed by the OECD, and thus not included in this number, are significant peacekeeping and security efforts by the Defense Department.

Chart 3 on the following page illustrates the many U.S. government agencies that interact with developing countries as part of ODA. Note that USAID is responsible for only 52.6 percent of total ODA. Other U.S. government agencies have clearly increased their role in international development assistance.

The second line in Table 1, U.S. "other country" assistance of $1.6 billion, is government aid not included in ODA, or "Part II countries" in the OECD classification system. They are excluded because they have graduated from developing country status. These include such countries as Russia, Ukraine, Belarus, Israel, and a variety of island states.

All U.S. private assistance, in the third line of Table 1, is very large at $71 billion, or 72 percent of the total U.S. engagement with the developing world. In gathering data for the U.S. private international assistance number, we made every effort to collect private giving only for "Part I countries." In this way, we can better compare the private giving number to the ODA number.

These private giving categories are discussed in more detail in the next section, but it is worthwhile to note their relative contribution compared to other countries' government aid. U.S. private and voluntary organizations alone gave more to developing countries in 2004 than did the government of Japan. American universities and

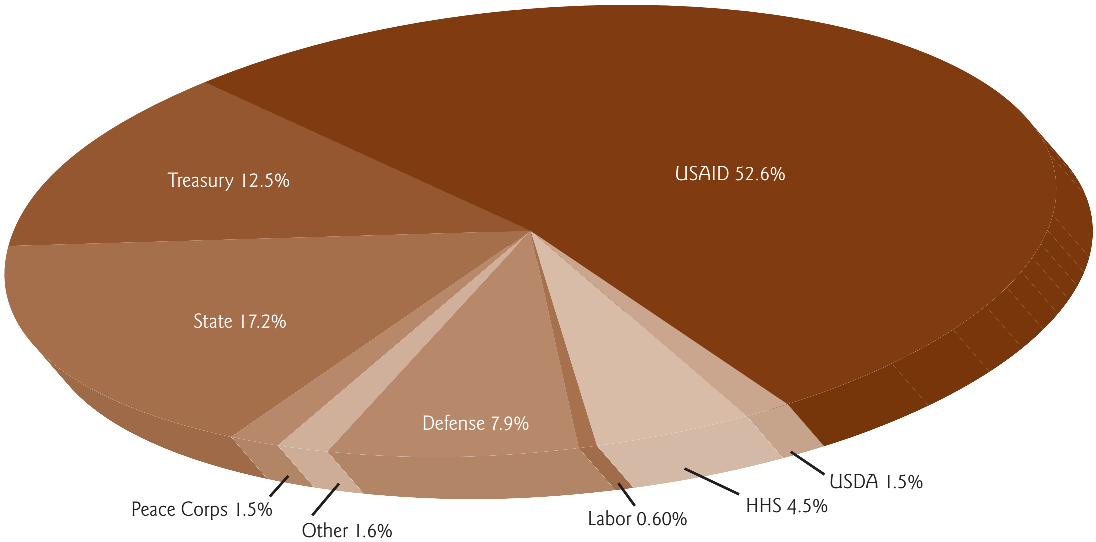


CHART 3

colleges gave more to developing countries in foreign scholarships than Australia, Belgium, Ireland, and Switzerland each gave in ODA in 2004. Remittances from immigrants in the United States sent to their families and villages abroad are almost 60 percent of total ODA from all the donor countries.

Remittances from all donor countries to the developing world now exceed foreign direct investment (FDI) in size. Their impact on development has been increasingly well documented over the last five years. They are accepted by development agencies, academics, and policy makers as legitimate resource flows to reduce poverty throughout the world. While the OECD has written a report about these large and growing flows, it does not incorporate these numbers into its statistics. In 2004, a proposal by the United States government to start incorporating remittances as a line item in the OECD donor statistics was not approved.

Remittances from all industrialized countries to the developing world are estimated at $160 billion, twice the total amount of ODA from the 22 DAC donor countries—$80 billion—to developing countries. Not including remittances in official data sources is a serious omission for an organization dedicated to measuring the impact of development resources on global poverty—and prosperity.

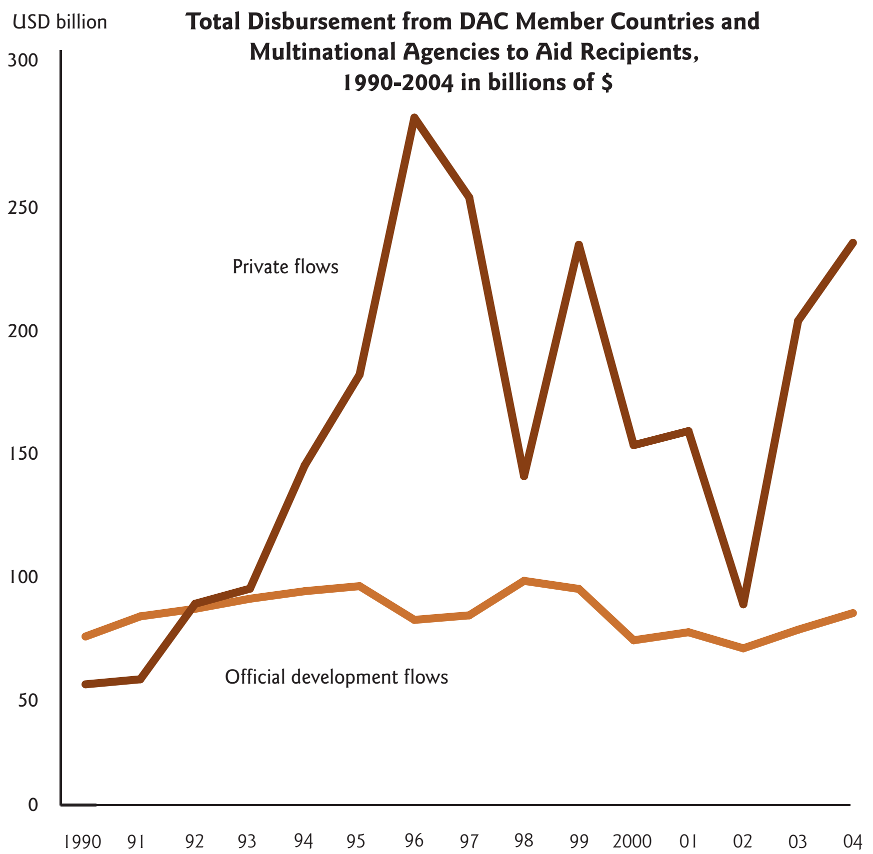
U.S. Private Capital Flows

U.S. private capital flows of $6.5 billion in Table 1 represent investment and lending at market terms financed by the private sector. These include private foreign direct investment, export credits, securities and bank credits, and multilateral securities in developing countries. U.S. net private capital flows are usually higher than the $6.5 billion in 2004, but the sale of foreign stocks and bonds by U.S. entities exceeded new purchases, and new bank lending was less than foreign repayments. Therefore, these payments to the U.S. private sector resulted in a net decline in private capital flows.

Even though U.S. net private flows decreased, foreign direct investment by U.S.

business in developing countries rebounded from $14.3 billion in 2003 to $20.4 billion in 2004. In 2004, 36 percent of all U.S. foreign direct investment went to developing countries, although not all of these were "Part I countries," or, those included in the ODA definition.[28] This is a significant increase from 2000 when U.S. foreign direct investment in developing countries was only 18 percent of total investment.

Over the last twenty years, these private flows have made a dramatic mark on developing countries. Until the early 1990s, the majority of all international resource flows to developing countries was governmental. Now these flows are primarily private. As seen in Chart 4 below, the shift began in 1992, when foreign direct investment and financial markets took off in the emerging economies, and private flows were larger than official development assistance for the first time.



Source: OECD, Development Co-operation Reports, 1990-2006.

CHART 4

The growth in private investment and lending means that emerging economies are attracting the kind of capital that creates jobs, raises productivity, transfers skills and technology, and boosts export industries—all activities that contribute to lasting growth and prosperity in developing countries. In most regions, progress was made in political and macroeconomic stability, good governance, financial systems, and trade, and in creating a receptive environment for private enterprise.

The least developed countries, including many in Africa, however, receive the *smallest amount* of these private capital flows. The United Nations Conference on Trade and Development (UNCTAD) estimated that foreign direct investment flows to the least developed countries amounted to $11 billion, or 2 percent, of the global total.[29] Although this was the highest share ever for these countries, private capital must increase in order for these countries to grow and prosper. While tragic epidemics and civil strife have plagued African countries for decades, the main factor that keeps many countries from creating the necessary conditions to attract that capital is the lack of government transparency and leadership.

Determining national generosity by government spending alone, as does the OECD, ignores new economic realities of private giving, particularly remittances and private investment. These are the resource flows driving the economies of the developing world today, not ODA.

U.S. Private International Assistance

In 1710, Cotton Mather, a New England religious and civic leader, called for Americans and their voluntary associations to engage in "a perpetual endeavor to do good in the world." Noting the unique strength of America's charities and other "mediating institutions," Alexis de Tocqueville remarked in the 1830s on the contributions they make to society, independent of government. Since early relief efforts in Greece in the 1840s and in famine-racked Ireland, Americans have delivered financial assistance and volunteerism abroad.

U.S. private international giving has grown significantly over the last fifty years. Initially, churches and other congregations played the largest role in international giving through relief and humanitarian assistance alongside their overseas religious missions. Increasingly, colleges, universities, and foundations are responding to international development needs with scholarships and support for foreign universities and research centers.

Private and voluntary organizations (PVOs) increased both in numbers and size, fueled in part by USAID, as Americans channeled their dollars and volunteer time into international causes. With globalization, American corporations extended their philanthropy to developing countries. Changing immigration patterns meant that immigrants to America, more and more from developing countries, began sending more and more dollars back to their homelands.

The broad political and economic forces behind the recent rise in international private giving include the end of the Cold War, the fall of communism, and the growth in market economies accompanied by the explosion in information and communications technology.[30] As open markets opened societies, new democracies created a new pluralism of indigenous PVOs and private entrepreneurs with sources of power outside central governments.

Calling this increase a "global associational revolution," the Johns Hopkins Comparative Nonprofit Sector Project, attributes the rise in part to "the growing doubts about the capability of the state to cope on its own with the social welfare, developmental, and environmental problems that face nations today."[31] This "crisis of the state" has focused new attention and expectations on the private nonprofit sector.

Writing about the delays in institutional reform at the U.N., Ruth Wedgwood, professor of international law and organizations at Johns Hopkins University, predicts that competition in delivering goods and services may help the U.N. gain a second wind: "Smug reliance on an aging brand name is a real danger in any organization; this is no less true for the United Nations than for corporate behemoths like General Motors." She points to the role that private relief organizations played in East Timor when the United Nations administrative process slowed down.[32]

Increasingly, with major disasters such as Hurricane Mitch in 1998, which led to widespread accusations of government corruption and misuse of official aid, people are sending relief donations to local churches and business organizations. Private giving in 2005 to Asian tsunami and Pakistani earthquake victims exceeded $1.4 billion—about the same as Belgium's entire ODA in 2004. Richard Marker, philanthropy professor at New York University, confirms this trend: "We are in an era where individual giving is suspicious of government reliability in general. Even in the States, if you were going to donate to Hurricane Katrina reconstruction, would you write a check to the government or a local organization in New Orleans?"[33]

International issues are the focus of new "mega donors"—such as the U.N. Foundation funded by Ted Turner, the David and Lucille Packard Foundation, and the Bill & Melinda Gates Foundation. The prolonged bull market in the United States, low inflation, and growth in personal fortunes, resulted in a near doubling of foundation assets in the 1990s. The new phenomenon of community foundations in the United States and abroad has resulted in new sources of funding with closer ties to people and communities in the developing world.

Perhaps most intriguing is the wave of new courses on corporate citizenship and philanthropy in businesses schools and schools of management across the U.S. There are concerted efforts by new NGOs to train entrepreneurs in developing countries in business practices, supply chain management, and sales and marketing. The new private aid players, sometimes called "venture philanthropists," "social entrepreneurs," or "philanthrocapitalists," come from new private giving entities, including hedge funds, donor-advised funds, and management consulting firms. Results, cost-effectiveness, people-to-people partnerships, accountability, and transparency are the promising new trends of overseas philanthropy today.

Inadequate Information on Private International Giving

While private giving greatly exceeds ODA in the United States, measurement and analysis have not kept up with this growth in American international private giving. Helmut Anheier and Regina List, writing for the Johns Hopkins University Center for Civil Society Studies, confirm this: "We rarely hear much discussion of the globalization of philanthropy or the voluntary sector. Indeed, even within the voluntary or nonprofit sector, few types of areas and activities have received less attention than international philanthropy, especially the amounts, types, and purposes of charitable flows from one country to another."[34] Nor do government and multilateral donors know much about global philanthropy.

Private giving no longer means relief efforts and missionaries working in isolated villages. Private giving today means indigenous foundations such as Fundación Vamos in Mexico receiving $2 million from U.S. foundations from 2000 to 2003 for earthquake relief and other projects. Private giving means corporations partnering with foundations and governments to tackle diseases in Africa. Private giving means online donations directly to a farmer's project in Nigeria with only a 10 percent overhead—compared to *100 percent* for traditional government aid projects. Private giving means wiring money from New York City to El Salvador for your brother to buy seeds and fertilizer for his crops.

The discussion of the amounts and types of U.S. private international giving in the following pages builds on the Hudson Institute's work over the last six years. As new and better data sources become available we will use them in future editions of our annual *Index of Global Philanthropy*. For the least-surveyed categories, we will undertake original survey work to better reflect private giving.

We believe that the numbers presented in the following pages, while still an underestimate, are the most complete and accurate data available on the entirety of U.S. international private giving.

U.S. International Giving:
The Numbers

Foundations: $3.4 billion

Growth in Foundation Giving: Domestic and International

Foundations are multiplying like wildfire. According to the Foundation Center, a research organization that analyzes grantmaking by U.S. foundations, between 1993 and 2003 the number of foundations in America increased by almost 77 percent from 37,600 to 66,400. In 2003 alone, 1,500 new foundations became operational.[1] Along with the increased number of foundations, foundation giving overall increased by almost 7 percent, reaching an all-time high of $32.4 billion.[2]

The number of foundations that give specifically to international causes is also growing, and the percentage of foundation dollars going to international activities is rising. A Foundation Center analysis of more than 1,000 foundations indicated that in 2002 63 percent of them made at least one grant to international initiatives, a notable increase over the 57 percent recorded in 1998.[3] The percentage of foundation funding allotted for international causes has increased steadily—from 11 percent in 1998, to 14 percent in 2002, to 18 percent in 2004.[4] An increase in foundation giving would be expected, given the increased activities by mega-foundations such as the Bill & Melinda Gates Foundation and the Gordon and Betty Moore Foundation.

By far the largest group of foundations engaged in international giving consists of independent foundations, which accounted for about 92 percent of international grant dollars in 2002, the last year for which data are available.[5] Foundations are generally classified as independent, community, or corporate. Corporate foundations are addressed in "Corporations" on page 22. This section includes data for independent and community foundations, of which the latter represent a very small proportion.

Based on Foundation Center data, we estimate total international giving by U.S. foundations to developing countries in 2004 at $3.4 billion.

History of International Foundation Giving

Until the early 1990s, those foundations engaged in international initiatives were an exclusive group consisting of the largest and oldest U.S. foundations, including the Ford, Rockefeller, Carnegie, John D. and Catherine T. MacArthur, W. K. Kellogg, Rockefeller Brothers, and Andrew W. Mellon foundations. As the Cold War ended, the technology boom took off, reaping large fortunes for the pioneers of the new technologies and new global business strategies. Reflecting the connection of the American business world to the international arena, several of the large new foundations that were formed during this period took a special interest in international aid. By the late '90s, the group of top funders for international causes had expanded, and the total awards multiplied significantly. The top 25 international grantors accounted for 75 percent of total international giving in 2002.[6]

Foundation giving in 2002 for international initiatives was directed at 11 different types of assistance. Based on a sample of more than 1,000 foundations, almost one third of foundation giving—the largest chunk—went to disease prevention and research for infectious diseases, which continue to kill and disable millions of people in the developing world.

This great commitment from American philanthropists, led by Bill and Melinda Gates, highlights the intention of many wealthy Americans to use their foundations to create better living conditions for poor people around the world. Nearly 13 percent of international funds went to "international development and relief," close to 9 percent went to foreign policy and "peace and security issues," and around 8 percent each went to environmental, social science, and education programs. Programs that focused on social benefits, arts and culture, and human rights received a combined 19 percent. Science and religion (establishing churches and synagogues) received the smallest amount of foundation support, with under 2 percent and 3 percent respectively.[7]

Many wealthy Americans use their foundations to create better living conditions for poor people around the world.

Of the total foundation giving in 2004, 62 percent benefited organizations in the U.S. that fund and manage programs overseas, and 38 percent was given directly to organizations overseas.[8] The foundations that were established before 1950 award more than half their funds directly to groups overseas. With decades of experience, they have developed a network and knowledge base about the groups and programs they want to support, and have less of a need to channel funds through an intermediary. The newer foundations have relied primarily on U.S.-based organizations to deliver their assistance overseas. But, even among the youngest foundations, those created since 1990, there is a trend toward more direct foreign funding. Between 1998 and 2002, grants to organizations abroad grew from 17 percent to 29 percent of total giving by foundations.[9]

Community Foundations

Community foundations are formed to raise funds from the public, and they use their income from asset management to award grants to charities that benefit their particular community or geographic area. They are governed by a board of directors knowledgeable about their area and charged with representing the public interest. Independent foundations are usually formed from the contributions of a single source, such as a family. Governed by the U.S. tax code, they are required to distribute specific amounts for charitable purposes each year.

Some may be surprised to see community foundations, created originally to improve life in specific U.S. communities, included along with independent foundations in a discussion of international giving.[10]

Despite their generally local focus, community foundations comprised nearly 7 percent of the total number of foundations that make international grants. Their giving was modest—just above 1 percent of all international giving by foundations,[11] but the rate of growth in international giving was highest in community foundations, with an increase from \$6 million in 1998, to \$29 million in 2002.[12]

In addition, the number of community foundations involved in international grantmaking increased by about 50 percent, and their number of grants grew by 290 percent.[13] Rob Buchanan, director of international grantmaking at the Council on Foundations, attributes the growth in giving by community foundations to immigrants who become active in their new American communities and campaign for a local relationship with their home countries or villages.[14]

Geographic Distribution of Giving by Foundations

Many foundations support global programs that benefit more than one country, so it is difficult to determine exactly how foundation funding is distributed across the developing world. In its analysis of the geographic focus of international grants, the Foundation Center shows foundation funding for U.S.-based organizations that operate programs overseas as well as for foreign-based organizations. The latest available data are for 2002 and show that U.S-based organizations which received money from foundations gave about 40 percent of their funds to global programs, and 60 percent to a specific country or region.[15]

American corporations responded in an unprecedented manner to the tsunami disaster of 2004.

Between 1998 and 2002, foundations more than doubled their support to U.S.-based organizations to carry out programs in sub-Saharan Africa, representing the fastest growth in regional support during that period. This increase reflects the heightened attention paid to famine and the AIDS pandemic by several of the largest U.S. foundations, such as the Starr, Robert Wood Johnson, Rockefeller, and Bill & Melinda Gates foundations.[16]

Foreign organizations that receive funds from U.S. foundations were concentrated in 25 countries, with England, South Africa, Mexico, South Korea, and India ranking as the top five recipients in 2002. Virtually all of these grants are for programs to benefit developing countries. The Gates Foundation, for instance, gave nearly $28 million to a British institution for a Schistosomiasis Control Initiative in Africa.[17]

Corporations: $4.9 billion

There is no comprehensive survey on U.S. corporate philanthropy. The most complete survey is published annually by the Conference Board, a New York-based organization that provides research, analysis, and other services for its member companies. This survey includes both corporate and corporate foundation giving.[18] While the Board's data are authoritative, the survey is limited in its breadth of coverage. Its 2004 tally of corporate contributions is drawn from respondents through a voluntary survey of 189 of America's largest companies. They were asked about both domestic and international giving, but only 88 companies completed the international data section.

Of the 88 companies reporting international contributions, the total came to $1.5 billion. The largest portion of this total, 61 percent, consists of non-cash contributions. The report makes no attempt to extrapolate this figure to a larger universe of companies, either on the Fortune 500 list or elsewhere.

In 2003, 232 companies responded to the Conference Board survey. One hundred of them reported international contributions of $1.1 billion total, of which 56 percent consisted of non-cash contributions.[19] So, even though fewer corporations completed the survey in 2004, their total giving was greater than of those who gave in 2003, and their non-cash contributions increased as well.

Combining Surveys for Corporate Giving Estimates

While certain trends can be indicated by the Conference Board survey, given the small number of corporations that have completed it over the years, the amount of international corporate giving is vastly underestimated, so we did not use this survey for our calculations. Instead, we used a more thorough report on pharmaceutical company product donations in 2004. This report is produced by the Partnership for Quality Medical Donations (PQMD), a coalition of health care manufacturers who donate products and private organizations that distribute them overseas.[20]

The pharmaceutical industry is the largest international donor sector among industries, so the PQMD report provides the basis for a more accurate corporate giving number. We also collected data on pharmaceutical cash contributions from company brochures, annual reports, personal inquiries, and a separate summary publication on international pharmaceutical company programs.[21]

For non-pharmaceutical companies, we conducted our own research on 37 corporations from the Fortune 500 list. We started with the industries that are known to give the largest donations overseas such as oil and energy, food, telecommunications, and information technology companies. This research was drawn from publicly available documents, including annual reports and publications about companies' corporate citizenship programs. We also called and e-mailed companies for clarification of their numbers.

Companies contribute overseas in a variety of ways, including through their operating budgets and their corporate foundations. For corporate foundation giving, we reviewed data from the "990" forms that company foundations file with the Internal Revenue Service. Some of the largest corporate foundations were included in this search, such as Alcoa, Coca-Cola, and Johnson & Johnson.

American corporations responded in an unprecedented manner to the tsunami disaster of 2004. However, the majority of their contributions will not be known until their 2005 annual reports are issued. Wherever it was possible to identify cash apart from in-kind contributions recorded by PQMD for the last week of December 2004, we added that number to total corporate giving. Abbott Laboratories, for instance, contributed $5.5 million in cash for tsunami relief efforts at the end of that month. Although it is unlikely that this entire amount could have been expended in one week's time, we included the total since Abbott appropriated this amount to help initiate general relief efforts.[22]

Tackling Poverty with Business Skills

"There isn't now and never will be enough charitable money on the planet to permanently raise the incomes of two billion people living on a buck a day to a more acceptable level. So whatever additional pledges are made in 2005, making poverty history is always going to require unleashing the power of private capital to generate wealth rather than the inherently limiting one-off injection of public funds…. The most effective partners are those who can apply business principles and business thinking—assess risk, know your market, offer what your customer wants, find least-cost solutions—to the challenge of catalyzing pro-poor enterprises… Multinational corporations are a largely untapped source of value-creating resources such as skills, knowledge, and networks that if accessed and deployed appropriately can add enormous social value to civil society efforts to promote enterprise and tackle poverty."

—*Kurt Hoffman, director, Shell Foundation*

In most cases it was possible to distinguish domestic from international giving in company annual reports. When this was not possible, we excluded the data. In other cases we followed up with phone calls to corporate philanthropy offices. In a few cases, depending on how the amount was described in annual reports or other documents, we made a judgment on what might be considered the international dollar amount. All of these worksheets are available for review by contacting the Center for Global Prosperity at the Hudson Institute.[23]

Corporate giving abroad, along with philanthropic activities from religious organizations, is probably the most poorly documented of all private giving sectors. We believe that we are excluding a large amount of funding since we are only capturing 37 companies outside the pharmaceutical sector. While we have a more representative number for the universe of pharmaceutical companies because their in-kind donations are tracked very reliably, the total amount provided overseas is still not captured completely.

Table 2 summarizes our numbers for corporate giving. Our total number for all corporate contributions is $4.9 billion. Of this amount, $4.1 billion consists of donations of medicines and medical supplies to developing countries. Pharmaceutical company cash grants came to $142 million. Non-pharmaceutical cash and in-kind contributions from 37 corporations totaled $710 million. (For a thorough discussion of our methodology for the corporate giving numbers, please see Part III.)

Corporate International Assistance, 2004 (in billions of $)

Pharmaceutical and Medical Supply In-Kind Donations	4.08
Pharmaceutical Cash Contributions	0.14
Other Corporate Cash and In-Kind Contributions	0.71
Total	$ 4.93

Sources: PQMD press release March 1, 2006, corporate annual reports 2004, PhRMA Report 2003, MSF Price Guide 2005, WHO Essential Drugs Monitor 2003.

TABLE 2

One type of corporate philanthropy—"cause-related" giving—is not captured in surveys, and contributes to further underestimates of corporate giving. The Starbucks coffee chain was one of the first companies to engage in cause-related giving by donating five cents for every cup of coffee purchased to Friends of the Rain Forest. A variation on cause-related giving can be found in the Hyatt Regency Hotel's creative program to support an orphanage in the Kyrgyz Republic. One of its most successful fundraising activities is a dinner event for which celebrities, diplomats, and heads of international organizations act as servers in order to draw friends and colleagues to the event. The prominent waiters accept a donation for each beverage served, and Hyatt matches the amount.[24] Charitable contributions are calculated as advertising or marketing costs and therefore companies need not fill out time-consuming charitable-giving reports. No one knows the real value of cause-related giving, but experts in the foundation community believe that it raises billions of dollars for charity every year.

An indicator to support that claim can be found among the 95 American companies that are members (of 200 total) of the Global Business Coalition on HIV/AIDS. Last November, during its annual dinner, Ambassador Richard Holbrooke, president and CEO of the Coalition, reported that one American member, MAC Cosmetics, had contributed $52 million in 2004 from its cause-related giving program to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.[25] But while occasional reports or comments are available, there is no systematic way of learning about and recording this type of charitable giving by corporations.

These 95 companies are doing more to alleviate AIDS in under-developed countries than their membership dues indicate. The Ford Motor Company in Africa provides antiretroviral drugs to its workers and extended families, as well as other benefits such as extended periods of sick leave, family counseling services, and disability allowances. Whatever these figures might be, they remain unreported. Most likely the companies themselves do not know, particularly since these costs are charged to operating expenses rather than charitable contributions.

The diversity of corporate giving runs the full spectrum from cash to goods and services, to the construction of facilities, to relieving governments of a portion of the onerous costs for Africa's greatest health problem, AIDS. Often, there are partnerships between corporations and foundations. For instance, Merck Inc., the Merck Foundation, and the Bill & Melinda Gates Foundation collaborated to fund a $115 million national HIV/AIDS program with the government of Botswana.[26]

The Bristol-Myers Squibb Foundation joined with the Baylor Medical School in Texas to construct and operate the first pediatric AIDS hospital in Africa.[27] Baylor then complemented this effort by setting a goal of training fifty pediatric AIDS physicians annually to practice medicine in Africa. For each year of service, Baylor forgives $50,000 of medical school debts, while the Bristol-Myers Squibb Foundation supports the physicians once they are in the field with housing allowances, health insurance, and transportation (but without salaries).

PVOs are the workhorses of international development.

Corporate contributions are spread across a wide range of economic and social sectors in developing countries. The Chevron Corporation, through USAID's Global Development Alliance, has contributed $10 million to match USAID's initial $10 million to advance local business development and initiate recovery of Angola's agriculture sector. The Starbucks Corporation, the Global Development Alliance, and Conservation International have joined together in a $3.2 million program to expand the cultivation and sale of high-quality, shade-grown coffee in Mexico.[28]

Unfortunately, given the time limitations on research for 2004 numbers, it has not been possible with available survey techniques and telephone inquiries to ascertain a more complete number for corporate contributions. Although a great deal has gone unreported, what is reported represents a significant indicator of corporate America's social and economic engagement with the developing world. For a useful perspective: $4.9 billion is more than the World Health Organization's and UNICEF's regular annual budgets for 2004 combined.

Independent of corporate giving, there is an ongoing transfer of other assets from U.S. corporations to the private sector in developing countries. Corporations understand that poverty alleviation is about more than just providing money. It is also about wealth creation, employment, risk analysis, best practices, consumer satisfaction, and technology and skill transfers.

The World Bank's *World Development Report 2005* offered this picture of the private sector's role in development assistance: "Private firms are at the heart of the development process. Driven by the quest for profit, firms of all types…invest in new ideas and new facilities that strengthen the foundation of economic growth and prosperity. They provide more than 90 percent of jobs…they are also the main source of tax revenues, contributing to public funding for health, education and other services. Firms are thus the central actors in the quest for growth and poverty reduction."[29]

PVOs: $5.7 billion

Private and voluntary organizations (PVOs) are public charities that file annual IRS "990" forms to report their sources of revenue and allocation of expenses. The term PVO does not apply to universities, churches, or foundations. The term non-governmental organization (NGO), however, does apply to all the entities of our private giving sources, since they are all non-governmental.

PVOs are the workhorses of international development. They include traditional large PVOs such as Catholic Relief Services, CARE, and Save the Children, as well as smaller and lesser-known organizations like the Alliance for African Assistance, which, among its many activities, provides play therapy for children in Uganda who were kidnapped and forced to serve in the rebel military.[30] The World Rehabilitation Fund is also small, but fulfills an important mission to expand medical, vocational, economic, and psychosocial rehabilitation services for people with physical disabilities, primarily in developing countries.[31] Another group, Playing for Peace, uses the game of basketball in its work with children aged 10 to 14 living in conflict and post-conflict regions, such as the Middle East, South Africa, and Northern Ireland, to alter pre-conceived prejudices.[32]

PVOs are often the local partners for programs funded by foundations, corporations, and millions of individual contributors. The focus of most PVOs is on helping the poor by providing direct services and hands-on technical assistance to enable people to address a broad range of development needs. They are involved in every area of development assistance—humanitarian relief, health, education, food production, economic development, democracy and civil-society building, conflict resolution, and environmental protection. They have reduced a great deal of human suffering by responding quickly to disasters and improving child health, particularly through immunizations.[33]

The United States Agency for International Development maintains a registry of private and voluntary organizations that are engaged in international work. Once a year, each organization that has chosen to register with USAID completes a standardized survey of revenues and expenses. The survey for fiscal year 2004 shows that the 503 PVOs registered with USAID gave $7.1 billion in private assistance to the developing world. This measure includes both cash and in-kind donations such as food supplies, blankets, and medicines.[34] We subtracted $1.4 billion from this number to eliminate any double-counting of pharmaceutical company in-kind donations, which are counted in a separate survey included in "Corporations." So, total giving by PVOs in 2004 is estimated at $5.7 billion.

While the amount of giving from the USAID-registered PVOs is quite high, it does not represent all registered public charities engaged in international development. Using the National Center for Charitable Statistics/GuideStar National Nonprofit Database of IRS 990 forms filed by public charities in 2003, the Urban Institute has conducted an analysis of the international nonprofit sector,[35] and has identified more than 4,000 groups that are primarily involved in international development and assistance.[36]

Value of Volunteer Time: $4 billion

Americans have long been known for their spirit of volunteerism. By donating their time to community groups, social welfare organizations, religious congregations, and other volunteer organizations, Americans have greatly enhanced the capacity of the United States to respond to social needs, both at home and abroad.

In 2004, American volunteers contributed $4 billion worth of time to international programs. This is a rough, and likely low, estimate. In 2001, the latest year for which volunteer time was measured, the Independent Sector, a coalition of 550 non-profit organizations, conducted a telephone survey on charitable giving and volunteering. The results showed that almost 44 percent of Americans over 21 volunteered for charitable, social welfare, or faith-based organizations. The volunteer time they contributed was equivalent to 9 million full-time workers.[37] That survey excluded people under age 21, so we know it is a low estimate. It also did not include questions on international volunteering, but based on a survey conducted in 1998, 1.5 percent of total volunteer time was dedicated to international and foreign assignments.[38] By multiplying 9 million by 1.5 percent, we found that in 2004 the estimated time given by volunteers to assignments outside the U.S. was equivalent to the work done by 135,000 full-time workers.

To derive the value of the international volunteer time, we calculated the annual wages of one full-time worker using the Independent Sector's formula, i.e., we multiplied the 2004 average hourly wage of $17.55 by the annual full-time equivalency of 1,700 hours.[39] The result was that annual wages for a full-time worker equaled $29,835 in 2004.

We then multiplied this annual wage by 135,000, the number of full-time-equivalent volunteers. The result, a bit over $4 billion, is the value of international volunteer time.

We believe that in the years since the last survey, international volunteer efforts have increased. This belief is based on trends such as high-profile entertainers and other prominent public figures taking leadership roles in publicizing the needs of people in the developing world, and healthy, younger retirees expressing their desire to put their free time to good use. American college students, not counted in the 2001 survey, are also becoming more inclined to take a "gap year" midway through their four-year college experience to live in a developing country, volunteering as rural outreach workers, farm workers, or home builders in urban slums. Finally, a growing number of websites, such as www.idealist.org, www.volunteerabroad.com, and www.volunteerinternational.org provide easy links to hundreds of volunteer opportunities. Unquestionably, having to negotiate daily life in an unfamiliar culture promotes international understanding. It teaches people to be "citizens of the world," to build cooperative relationships, and to engage in mutual efforts to seek solutions that will help improve lives, particularly those of the poor.

Many foreign students internalize the American values of openness, participation, equality, and free choice.

Universities and Colleges: $1.7 billion

The presence of foreign students on U.S. campuses has long enriched the academic experience for Americans. Studying side by side with their American counterparts and living in American communities offers foreign students a chance to experience American life and values firsthand. Giving students and faculty from other countries the opportunity to study, teach, and research at American institutions has had lasting benefits for America as a whole. Foreign students facilitate an on-going exchange of ideas. As they continue to collaborate and interact with their American peers, they bring important alternative perspectives to global issues.

U.S.-educated foreigners can also represent the American experience to their fellow citizens in their home countries. By the time their studies conclude, many of these students have internalized the American values of openness, participation, equality, and free choice. While the effects of these experiences on the developing world cannot be measured, the media frequently report the important contributions that U.S.-educated scientists, politicians, writers, businessmen, clergy, and artists make in their home countries. See Part II of the *Index* for specific examples of these success stories.

USAID, using data from the Bureau of Economic Analysis and other sources, estimated that scholarship support by U.S. universities and colleges to students from developing countries came to $1.7 billion in 2004.[40] About two thirds of foreign students come from the same twenty countries, though the mix of countries is different for each type of degree program. Students from developing countries make up 44 percent of foreign students enrolled in doctoral and research-intensive programs, and 34 percent of those enrolled in masters programs. At the baccalaureate and lower levels, students from developing countries represent about 25 percent of the foreign students, reflecting the fact that more scholarships and other financial aid are available for students at the higher levels of study.[41]

Foreign students have limited options for securing financing to study in the U.S. Most students must self-finance their studies, either through family support or employment. However, U.S. colleges and universities are the second largest source of support, and over the past ten years, their financial support to foreign students has increased steadily. In 1995, U.S. colleges and universities were able to provide about 17 percent of the total financing required by foreign students; by 2004, they were able to cover more than 23 percent. During the same period, U.S. government support to foreign students decreased from 1.2 percent of the total financing to 0.5 percent.[42] In 2003, the number of international student enrollments declined for the first time in thirty years—from 586,000 in 2002 to 572,509—probably due to security-related visa delays, competition for foreign students from other host countries, as well as developing countries' increased capacity to provide quality education themselves.[43]

Religious Organizations: $4.5 billion

Religion has always played a major part in the culture of American giving.

More than 250,000 religious organizations in the U.S. account for almost a quarter of all American nonprofit organizations. Churches and other religious groups were the earliest private sources of international giving, starting with missionaries and their religious activities abroad.

Religion has always played a major part in the culture of American giving, as most denominations have traditionally set goals for their congregations to give a certain portion of their income to charity. According to a February 2006 survey in *The Economist*, religious giving accounts for a staggering 62 percent of total philanthropy in America. Church-based donations outweigh non-religious giving in every income group.[44]

Even explicitly religious activities are increasingly directed toward secular charity work, such as programs for international disaster relief, health care, agricultural development, and education. The Mormons, for instance, require their 42,000 missionaries abroad to spend half a day each week working on humanitarian and social welfare projects in nonsectarian institutions.

Unlike nonprofit organizations, however—which are required by the IRS to report annual giving in excess of $25,000—religious organizations, though likewise tax exempt, have no such requirement. This makes obtaining data on their resource flows to international activities quite difficult.

The Empty Tomb, an organization that reports on religious giving, has calculated international church giving for 2003 from 28 Protestant churches and related religious organizations.[45] The calculation is based on the total amount of contributions from those 28 groups in 1968 that was extrapolated to the present based on the assumption that per-member giving as a percent of income could have been at the same level as the late 1960s. The result of Empty Tomb's analysis was that, "another $5 billion could have been available for international missions if members of these communions had kept giving levels in 2003 at the same level as in the late 1960s."

For some perspective: Empty Tomb estimates that $5 billion is the amount that can "stop more than half of the approximately 29,000 daily deaths from conditions that occur among children under five around the globe."[46]

The Empty Tomb number from which this $5 billion has been extrapolated isn't reported in sufficient statistical detail for the purposes of our study, nor has it been adjusted for inflation or constant dollar accounting. Therefore, while it represents a large number that could well be credible, we decided not to include it in our calculations.

As is the case for many religious organizations, the Catholic Church has several different channels through which it distributes donations abroad. Catholic Relief Services is one such channel, and it receives considerable funds for humanitarian relief efforts from the U.S. government, mainly in the form of surplus food products. It also receives substantial cash contributions from Catholic dioceses throughout the U.S.

Another channel is the Catholic Medical Mission Board (CMMB), which has operated projects in Central America, Africa, and New Guinea since 1928.[47] Along with in-kind contributions, the CMMB also receives cash contributions from private sources. Since both groups are considered "private and voluntary organizations" (PVOs) for purposes of this *Index*, their in-kind and cash contributions are accounted for in that section.

The *Index* is careful to distinguish between church giving and giving by relief and development organizations that may bear the name of a particular denomination but whose mission is not religious *per se*. With the exception of the Mormons, which have well-documented cash and volunteer time statistics, religious organizations do not generally keep these types of records.

Table 3 below provides the best estimates for religious organizations' giving to developing countries. The first large number of $3.8 billion is from a survey of 800 Protestant missions listed in the *Mission Handbook*, published by the Billy Graham Center in 2004.[48] This number has not been updated, so we are most likely underestimating this giving. Assuming that this $3.8 billion could have increased by 5 percent annually between 2001 and 2006, the amount from these churches could be as high as $4.9 billion in 2003. The amount approaches the $5 billion proposed by the Empty Tomb for 2003, providing some possible corroboration of these two separate church estimates. The *Mission Handbook* number is based largely on Protestant denominations as well.

The next line item in Table 3, $602 million from the United Methodist Church, is the only number we used from the Empty Tomb survey of 28 churches and related organizations. This figure was the only one for 2003 that was not extrapolated.

Religious Organizations International Giving, 2003 and 2004 (in billions of $)

800 Protestant Missions	3.75
United Methodist Church	0.60
Catholic Church and related organizations	0.05
Mission Without Borders	0.03
Church of Jesus Christ of Latter-day Saints	0.08
Presbyterian Church	0.01
Total	**$ 4.52 billion**

Sources: Billy Graham Center, 2004, Empty Tomb, 2005, Communications with religious organizations 2006.

TABLE 3

The rest of the items on religious giving were obtained from telephone interviews, annual reports, websites, or e-mail correspondence. Carol Adelman made an on-site visit to the Church of Jesus Christ of Latter-day Saints in Salt Lake City, where church officials made their records available for review, and confirmed the final count, both for cash and in-kind contributions for 2004.[49]

As overall U.S. government aid and secular private giving accelerated in the 1960s, religious congregations began to slowly incorporate more and more relief and development activities in their overseas programs. These efforts began to mirror programs sponsored by a growing number of private and voluntary organizations as well as bilateral and multilateral donors. Religious groups became active in agricultural development, healthcare, education, and humanitarian relief work. The Catholic Sisters of Mercy, for instance, operate several hospitals and clinics throughout the islands of the South Pacific.

So generous are American church-goers, that Kevin Lother, regional director for southern Africa at Africare for the past 25 years, sees this country's religious congregations as the backbone of health services in Africa. "In southern African states, such as Malawi, Zambia, and Zimbabwe, religious organizations provide a substantial amount of total health services," explains Lother, who lived in Zambia for five years, and in Swaziland for two. While it's hard to name a percentage of total healthcare, Lother says, "if for some reason these organizations had to leave Africa, then a very large hole would be put into national health delivery capacities. This is a measure of how much religious organizations do in Africa. It is not just the extent of their coverage, but rather the quality of their services that should also be noted," when compared to government services.[50]

Like businesses and government, religious congregations have had to respond to a dramatically new social and political landscape in their overseas activities. Religious groups are one of the least-documented sectors of international giving, and it is important for them to collect more detailed data. Meanwhile, we hope to undertake original survey work on religious organizations for future issues of the *Index*.

Remittances: $47 billion

Immigrants now play a major role in the economic development and well-being of poorer countries by sending money they earn in the U.S. to their families and communities back home. For many developing countries, particularly in Central and South America, these monies, or remittances, have grown so fast in recent years that they have become a major source of foreign exchange and a growing component of national income—and an important source of money that makes development possible, as explained in the box below.

Remittances: Aid, Philanthropy, or Family Business?

However one views remittances—as development aid, philanthropy, or families taking care of their own—this now-dominant resource flow to developing countries is undeniably a result of: 1) U.S. immigration policies; 2) myriad American businesses that employ foreign-born workers; and 3) American consumption, which indirectly pays the wages of immigrant workers through consumer purchases.

While these policies, business decisions, and consumer purchases are not each designed as a charity for supporting developing countries, remittances enable these countries to bolster foreign exchange reserves, strengthen their banking systems, reduce dependence on the cyclical nature of aid and trade, and provide direct and cost-effective economic benefits to families for education, housing and health care.

U.S. participation in this process is significant, but may be less than 20 percent of worldwide remittances to developing countries. Many other countries have opened their labor markets to workers from around the world. All of these remittance flows should be better tracked and included in OECD statistics on flows to developing countries. Other overseas flows—government aid and private foreign investment—are included, and it is time for remittances to be recognized for the important role they play in developed countries' total economic engagement with developing nations.

The World Bank has estimated that workers' remittances from all host countries to developing countries totaled $160 billion in 2004, a 66 percent increase from 2001. Approximately one third of this amount came from developing countries themselves. Over the past decade, remittances to developing countries were equivalent to nearly 7 percent of imports and almost 8 percent of domestic investment. For the top twenty recipients in shares of GDP, of which 14 are developing countries, remittances constitute more than 10 percent of their GDPs.

Total remittances from the U.S. to developing countries are estimated at $47 billion for 2004. The countries and regions listed in Table 4 for which we collected remittance data do not include all developing countries that receive remittances. We included the countries and regions that received the largest amounts of remittances and also had well-sourced surveys.

The table shows that the largest amount—$35 billion, or more than two thirds—goes to Latin America and the Caribbean. Mexico received the largest share with over $13 billion; $17 billion went to the rest of Latin America; $4.5 billion to the Caribbean. India and the Philippines received about $5 billion each. While the most difficult to estimate reliably, remittances from the U.S. to Africa are estimated between $1 and 2 billion for 2004.

Individual Remittances from the U.S. to Developing Countries, 2004 (In $ billions)

Recipient Countries	Remittances Received
India	5.0
Mexico	13.3
Latin America (excl. Mexico & Caribbean)	16.8
Caribbean	4.5
Philippines	4.8
All Africa	1.6
Other	1.0
Total	**47.0**

Sources: See endnote 51.

TABLE 4

Remittances for the three countries receiving the largest amounts from the U.S. in 2004 are impressive. Remittances from the U.S. accounted for almost 8 percent of Mexico's total exports and 1.5 percent of its national income. For India, remittances from the U.S. equaled 7.5 percent of its total export earnings for 2004, amounted to 0.7 percent of its gross national income, and accounted for 23 percent of its foreign exchange earnings.

During the 1990s, remittances from the 2.5 million Filipinos in America to the Philippines were equivalent to 20 percent of export earnings and more than 5 percent of GDP for the Philippines.[52] Since September 11, 2001, there has been an 18 percent drop in Filipino remittances from the U.S.—causing a decline in these impressive figures of the previous decade. While the 1.1 million African-born immigrants now in the U.S. accounted for less than $2 billion in remittances to their home countries, worldwide remittances to Africa in 2004 were virtually equivalent to foreign direct investment in that year at about $15 billion.

In total, remittances to developing countries from the U.S. now greatly exceed official development assistance and are, in some countries, as important as, or more important than, either U.S. foreign direct investment or income from trade with the U.S.[53]

Growth in Global Remittances

While the proportion of remittances from the U.S. to developing countries has been about 20 percent of global remittances, the U.S. and worldwide total has been rising rapidly over the last ten years. Table 5 shows that from 1995, when workers' remittances were virtually equivalent to ODA, remittances grew from $58 billion to $160 billion, or 176 percent. This is significantly higher than the 34 percent growth in ODA and the 55 percent growth in foreign direct investment.

Growth in Remittances to Developing Countries as Compared to Growth in Private Capital Flows and ODA, 1995 to 2004 (in billions of $)

	1995	2004	%Growth
Workers' remittances	58	160	176%
Foreign direct investment	107	166	55%
Private debt and portfolio equity	170	136	- 20%
Official development assistance	59	79	34%

Source: World Bank[54]

TABLE 5

How Families and Countries Benefit From Remittances

Immigrants who send money and goods back to Central and South America transfer about 10 percent of their incomes—which makes up 50 to 80 percent of the household incomes of those receiving them.[60] Remittance expert Manuel Orozco has conducted research on the economic aspects of transnational family relationships, specifically in South and Central America.[61] In the eight countries he surveyed, the households that cited using any part of remittances for a particular purpose did so as follows: 82 percent used some part of remittances for food; 48 percent used some part for clothing; 38 percent used some part for education; 36 percent used some part for housing; and 48 percent used some part for medicines. Those who set aside a portion for savings accounted for 20 percent of households.

Cash remittances, in fact, are but one facet of many links that immigrants have with their home countries. In addition to money transfers, there is added demand for telecommunications, consumer goods, travel, and capital investment—both in the U.S. and in their home countries. Immigrants also make charitable donations to philanthropic organizations that raise funds for home countries' communities.

Orozco refers to the "5 T's": transfers (remittances), transportation, tourism, telecommunications, and trade. The economic bonds and transactions that are facilitated and stimulated by migration are reflected in simple statistics: 60 percent of immigrants send remittances home on a regular basis (averaging more than $200 per month); 65 percent call home weekly; a substantial number of immigrants travel home;[62] and 73 percent buy goods in the U.S. imported from the home country ("nostalgic trade").

Immigrants have an economic impact in both their new and "home" countries when they call or travel home. Calling families in just four Central American countries in 2000 accounted for more than $700 million in revenue for U.S. phone companies, and about $200 million for home-country phone companies.[63] Air travel to the home country is also a major source of income for U.S. air carriers, and a major source of tourist income for the home country.[64] Moreover, in the host country, immigrants spend considerable amounts on products from home. Home community relatives also frequently visit the U.S. and spend considerable amounts as tourists themselves. Products from El Salvador purchased by immigrants in the U.S. were equivalant at least 10 percent of total exports from El Salvador to the U.S. in 2001—$450 million.[65]

Lastly, Latino immigrants also pool their resources to invest collectively in development-related activities in their home communities. At least 5 percent of all remitters are members of Hometown Associations (HTAs), which promote collective donations to communities in home countries. While the projects of such HTAs are diverse, many of them seek to supplement public works budgets, particularly in smaller communities.

Orozco's survey found that an average donation from any one of some 700 Mexican HTAs was almost $10,000 to communities with an average size of 5,283 people. These contributions made up 3.5 percent of the public works budgets of the recipient communities.[66]

Measuring Remittances

Most estimates of remittances, primarily those by the World Bank and OECD, rely on official statistics from the International Monetary Fund's *Balance of Payments Statistics Yearbook*.[55] The Inter-American Development Bank (IDB), however, uses special surveys that generally provide higher estimates than reported in official statistics. For reasons that are discussed below, we have used the higher estimates of the IDB in the *Index of Global Philanthropy*. The World Bank only estimates U.S. remittances to countries worldwide in 2004 at $39 billion, compared to our estimate of $47 billion for developing countries, which is based on IDB surveys and other non-IMF sources.

The IMF calculates remittances as the sum of three particular remittance entries in each country's Balance of Payments report: 1) workers' remittances;[56] 2) compensation of temporary workers abroad;[57] and, 3) migrant transfers.[58] These three entries are not that reliable because reporting practices vary from country to country, and some countries do not report any amounts.

Such misreporting of remittances leads either to undercounting or overcounting the amounts received through official channels. Yet even reliable official statistics would not present the whole picture, since a large proportion of remittances does not flow through official channels, but is hand-carried as cash or as goods. So the value of remittances flowing through informal channels is never known to central banks.

Informal delivery of remittances, including the age-old system known as *hawala*,[59] is also the result of high fees charged by transfer companies and international banks. It may be that the recent large increases in officially recorded remittances, particularly to Central and South America, are due to recent substantial decreases in transfer fees (down to around 7 percent, still a high fee) and in increased regulatory scrutiny of informal channels that has occurred since September 11, 2001. High remittance costs from fees and dual exchange rates vary greatly from region to region. Transfers to Africa are particularly inhibited by high transfer fees that cause migrants to use predominantly informal channels.

The World Bank estimates that the total flow through the informal sector to developing countries is, on average, at least 50 percent of what it is in the formal sector. This corresponds with other estimates that informal flow of remittances might be as much as one third of the total. If this amount were added to the World Bank's estimate of $39 billion, the level of total remittances from the U.S. would have been almost $60 billion in 2004.

If the 50 percent estimate (informal relative to formal remittances) were to be applied to our estimates above, the total of $47 billion in remittances from the U.S. to the developing world alone in 2004 might in reality be closer to $70 billion. Of course, since our estimate relies primarily on surveys, it may already include some of these informal remittances.

Whatever the true level of total remittances, both formal and informal, they have been growing rapidly in recent years—even by official IMF statistics.

Impact of Remittances on Poverty Reduction

While the impact of remittances on growth and on reducing poverty is difficult to measure, there is evidence in some countries that the number of people living in poverty has been reduced in association with increased remittances. Survey data showed that number was reduced by 20 percent in Guatemala, 11 in Uganda, 6 in Bangladesh, and 5 in Ghana.[67]

But there is a wide range of economic impacts associated with remittances. They boost the income and foreign exchange earnings of their home countries, improve the creditworthiness of the receiving countries, and make those countries less dependent on foreign trade and development assistance. The World Bank estimates that immigrants in the U.S. earn about five times the wages they would get in their home countries. [68]

The steady inflow of remittances can support a growing banking system that can then make loans available for housing and small businesses. Large inflows can lead to depreciation of the dollar, making imports from the U.S. cheaper. And, the increased incomes in the home countries serve not just to reduce poverty and satisfy basic needs, but also to increase household investments in health and education.

The World Bank estimates that immigrants in the U.S. earn about five times as much as they would in their home countries.

The World Bank has reported on the aggregate macroeconomic impact of remittances on poverty and economic growth. Its main conclusions are that remittances have the following effects:[69]

- They can improve a government's creditworthiness, thereby enhancing its access to international capital markets. Major international credit rating agencies often do not account for remittances. Including remittances in calculating a government's indebtedness classification would improve its ratio of debt to exports of goods and services, giving a boost to one component of the credit rating calculation.
- They can be securitized. Securitization of future remittance flows can usually use a structure that allows securities to achieve investment grade ratings that can help governments raise external financing, allowing better and cheaper access to capital markets. Such securitization has been underway for more than ten years with Mexico leading the way. Such practices have broadened to include payments related to exports and FDI, as well as remittances, through securitization of diversified payment rights (DPRs), which have led to additional savings in the cost of capital when bonds are backed by these DPRs.
- They can lead to exchange-rate appreciation of the home currency, reducing the price of imports but also increasing the effective price of exports. These effects can be mitigated if countries that receive large remittances allocate a larger portion of government expenditures for infrastructure, and liberalize trade policies.
- They can reduce poverty levels, but have inconclusive effects on economic growth. Increased consumption in home countries that is fueled by remittances can reduce poverty and income inequality, but any positive effect on growth may be offset by the indirect negative effects on labor supply (increased incentive for needed labor to emigrate).

Maximizing Impact of Remittances

Remittances can play an even greater role in maximizing economic development in the home countries of immigrants when governments implement sound macroeconomic policies, good governance, solid banking systems, and create the conditions that enable the private sector to grow. Remittances are a powerful source of assistance, overtaking ODA and FDI.[70]

While the broader benefits from remittances to development may be only partly evident, it is possible to promote policies in developing countries that will enhance the positive development impact they offer. The InterAmerican Development Bank has taken the lead in researching this subject[71] and in funding projects, joined by USAID[72] and the World Bank.[73] These programs promote policies that use remittances to better development in the following ways:

- Promoting competition among transfer companies to reduce transfer costs;
- Supporting financial institutions that provide a broader range of services to remitters and their families, enabling them to use banking and credit services to their advantage;
- Creating innovative financial products that encourage recipients to save a part of the remittances received;

- Promoting Hometown Associations as a means of channeling remittances towards development projects in the home communities (these are already well-developed in Haiti, El Salvador, and Mexico);[74]
- Establishing diaspora business networks to raise money for investment in home countries;
- Encouraging the diaspora to make its intellectual capital available to its home countries, through consultancies and internet contacts.

Other development experts have recognized the potential of remittances to contribute to broader economic development. As noted by Jeffrey Sachs, director of the Earth Institute at Columbia University as well as head of the U.N. Millennium Project: "Remittances improve the living conditions of poor families, help to reduce the risks facing families spread across countries, and can also reduce poverty when used to finance investments in education, housing, and health care. Millions of migrant workers and their families around the world require access to better and less expensive financial services."[75] And, as noted by World Bank analysts, "Whether remittances are used for consumption or buying houses, or for other investments, they generate positive effects on the economy by stimulating demand for other goods and services."[76]

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[53] *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, World Bank, Washington, D.C., 2006.

[54] World Bank, op. cit. Table 4.2, p. 88.

[55] *Balance of Payments Statistics Yearbook 2005*, International Monetary Fund, Washington, D.C., 2005, which gives data for 2004. These details are outlined in Annex 2.1 of the *Development Co-operation Report*, OECD, 2004, pp. 50-53.

[56] "Workers remittances" (code 2391 in the "current transfers" account) refers to personal transfers from those working abroad more than one year.

[57] "Compensation of employees" (code 2310 in the "income account") refers to remitted wages from those working abroad for less than one year;

[58] "Migrant transfers" (code 2341 in the "capital" account) refers to repatriated savings of workers returning home after working abroad.

[59] This is an informal channel for transferring funds from one location to another through service providers—known as *hawaladars*—regardless of the nature of the transaction or the countries involved. It originally evolved many centuries ago to facilitate trade and to provide an alternative to traders carrying gold or cash on their persons. The fees are generally quite low. The *hawala* system is largely based on trust, and is completely unregulated. For a detailed description, see, M. El-Qorchi, *The Hawala System*, IMF, 2002, at http://gdrc.org/icm/hawala.html, or "The *hawala* alternative remittance system and its role in money laundering," at http://www.interpol.int/Public/FinancialCrime?MoneyLaundering/hawala/default.asp.

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[61] Most data cited here are based on Manuel Orozco's 2003-2004 survey of 2,800 remittance

senders from 12 Latin American countries residing in New York, Los Angeles, Miami, Washington, D.C., and Chicago. Surveys were also conducted in eight Latin American and Caribbean countries, including 250 remittance recipients in each country. Results were reported in M. Orozco, B. L. Lowell, M. Bump, and R. Fedewa's "Transnational Engagement, Remittances and the Relationship to Development in Latin America and the Caribbean," Georgetown University Institute for the Study of International Migration, Washington, D.C., July, 2005.

[62] "Thirty percent of remittance-sending immigrants indicate that they travel to their home country at least once a year," Dominicans and Ecuadorians being among the most frequent travelers. Orozco et al., op cit., p. 16.

[63] El Salvador, Guatemala, Honduras, and the Dominican Republic. "Half of all call minutes from the U.S. to Central America and the Dominican Republic are household-to-household calls." From Orozco, et al., op. cit., p. 20.

[64] More than 500,000 Dominicans living abroad traveled home in 2003, staying an average of 15 days, and spending around $65 per day. Orozco, et al., p. 17. Immigrants typically spend "at least $1,000 per stay" with 17 percent of them spending more than $2,000 (average of 11 countries of South America and the Caribbean. Orozco, et al., p. 18.

[65] Orozco et al., op. cit., p. 21.

[66] Orozco et al., op. cit., p. 28.

[67] World Bank, op. cit., p. xiii.

[68] World Bank, op. cit., p. xii.

[69] World Bank, op cit., pp. 99-105.

[70] For a comprehensive treatment of all these issues and OECD's views on remittances, see Migration, Remittances, and Development, Organisation of Economic Cooperation and Development, Paris, 2005.

[71] M. Orozco, "International Financial Flows and Worker Remittances: Best Practices," The Inter-American Dialogue, Washington, D.C., 2005; and M. Orozco et al., op. cit.

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[72] "Remittances at USAID" (revised 8/26/2004) at www.usaid.gov/our_work/global_partnerships/gda/RemittancesatUSAID.doc.

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[74] M. Orozco and K. Welle, "Hometown Associations and Development: A Look at Ownership, Sustainability, Correspondence, and Replicability," unpublished manuscript, The Inter-American Dialogue, Washington, D.C., 2005.

[75] D. F. Terry and S. R. Wilson, eds., *Beyond Small Change,* op. cit., back jacket.

[76] S. M. Maimbo and D. Ratha, eds., *Remittances: Development Impact and Future Prospects*, World Bank, Washington, D.C., 2005, p. 5.

Foundations: Symbols of Generosity

Most large independent foundations in the U.S. have taken a global view of their philanthropic mission since their inception. They have been responsive during times of humanitarian crisis, and visionary in their understanding of the need to use their resources to provide training and capital to help poor people prosper.

The resources of foundations are sizable. Their endowments and the level of their annual giving to the developing world are in the billions. Not only have foundations supported good causes, they have been the visible sign of how American business leaders have converted profits into philanthropy. They are symbols of American generosity.

Inspired by what can be accomplished through foundations, average American citizens are pooling their resources to become "community philanthropists." By forming community foundations they hope to use their giving power for social and economic change in a defined geographic area. A few of these organizations have taken a broad view of "community" and have become involved in cross-border giving.

Whether large independent foundations or small community foundations, all are grantmaking organizations that depend on intermediaries to implement the programs that will produce results. These intermediaries—private and voluntary organizations (PVOs)—are discussed on page 49.

The four essays below describe the myriad ways that foundations help abroad. The first example shows how traditional U.S. foundations are creating lasting change by strengthening universities in Africa. The second story is about the power of celebrities to harness their popularity for private solutions for poor people. Creating philanthropy abroad is the subject of our third case study, which highlights how U.S. foundations have helped create and grow indigenous foundations. Coming full circle, the last stories are about how small community foundations in the U.S. are funding overseas projects and working with indigenous charities to make sure the money that immigrants send back to their home countries is well spent.

Higher Education in Africa: Creating Lasting Institutions

Disease, poverty, genocide, and violence often paint Western perceptions of Africa, but brighter, unseen colors exist in this portrait. Over the past decade, many African leaders have moved toward democratization and, acknowledging the crucial role that universities play in social, political, and economic growth, they have also focused on revamping the higher education system.

This development sparked the interest of four leading American foundations, and in 2000, the Carnegie Corporation of New York and the Ford, MacArthur, and Rockefeller Foundations created the Partnership for Higher Education in Africa. The partnership has already invested $150 million in African universities. In 2005, the four foundations were joined by the William and Flora Hewlett Foundation and the Andrew W. Mellon Foundation to commit another $200 million over the next five years.

Since the launch of the Partnership, universities in seven African countries—Ghana, Kenya, Nigeria, Mozambique, South Africa, Tanzania and Uganda—are pulsating with African thinkers who are contributing to African governance and prosperity. The universities also offer African women unparalleled access to higher education, enriching the pool of African experts who contribute to their continent's poverty reduction efforts while promoting equality between men and women.

The focus on higher education in Africa is overdue. The university systems nourished in the 1960s suffered a decade later due to a climate of unrest, systemic injustice, and corruption. Throughout the 1980s and 1990s, the emphasis on universal basic education occupied resources that were once allocated to universities.

"You can't breed crops at a distance—it fails every time."

Today, as the universities are strengthened, they share ideas and pool resources. An example of this collaboration is the Partnership's Bandwidth Initiative, where several sub-Saharan universities formed a consortium to purchase shared Internet capacity. Since the exchange of information in cyberspace is imperative to participation in the global marketplace, lack of this access was a major obstacle for African universities. To solve this problem, universities bought Internet capacity at much higher costs than other parts of the world. With co-funding from the Partnership, universities in several sub-Saharan countries formed a consortium to purchase a six-fold increase in bandwidth and share online capacity at lower rates.

Each university in the seven African nations is making strides toward improving the quality of life for Africans. The University of KwaZulu-Natal in South Africa, for instance, uses scientific innovation to boost food production to fight chronic food shortages. There are 80 million farmers in the region, but pests, drought, and poor seed varieties often cause massive crop shortages.

The five-year Ph.D. program in the African Centre for Crop Improvement at KwaZulu-Natal has made unprecedented progress in addressing the region's lack of food production. The program trains plant breeders to create new crop varieties in an effort to increase Africa's homegrown food supply. One program fellow, Chrispus Oduori of Kenya, was the first person to develop hybrid varieties of finger millet, a highly nutritious crop native to Africa.

"You can't breed crops at a distance—it fails every time," says program director Mark Laing. What makes the Centre's work groundbreaking is that "we're training African plant breeders, in Africa, with African crops. No one else is doing that."

About forty African students have enrolled in the program. The training cost per student is $150,000, just over half the cost of similar training in the United States. The curriculum and research environment, however, create an educational opportunity far more likely to result in positive impacts for the region. Though the program is supported by U.S. organizations, it is run by Africans, for Africans, for the prosperity of their continent.

—*Samantha Grayson*

Celebrity Philanthropy, Not All the Same

Many celebrities want to help the poor. Some are so committed to eradicating poverty that they've made it a second career. Bono, lead singer of the Irish rock band U2, Hollywood actress Angelina Jolie, and Bob Geldof, founder of the British punk band Boomtown Rats, are as well-known for their desire to help people in the developing world as they are for their success in the entertainment world.

Bono, Jolie, and Geldof use their fame to call on Western governments in increase their levels of development aid, and on Westerners in general to give more money to the poor countries of the world. Their focus is in line with the traditional approaches to global development that emphasize the role of the public sector. But they are only part of the celebrity global giving story. There are celebrities who employ private solutions to make a difference in the developing world. They foster public-private partnerships that require accountability for money received, and promote self-reliance of the poor, in order to create a lasting improvement in the lives of the people they seek to help.

Talk show host Oprah Winfrey, one of America's most famous women, has adopted such an approach to assist South Africa, a country she has come to see as her second home. One of the wealthiest philanthropists in America, Winfrey also maintains her charitable work within the U.S. Like Bill and Melinda Gates, she has her own foundation, which champions education and leadership initiatives.

The Oprah Winfrey Foundation has provided support for charities and other organizations that focus on South Africa, especially the children there. Four years ago, her foundation expanded its global humanitarian efforts with the Christmas-Kindness South Africa 2002 initiative that included visits to orphanages and rural schools where 50,000 children received gifts of food, clothing, athletic shoes, school supplies, books, and toys. In addition, 63 rural schools received libraries and education training for teachers.

One of her foundation's key projects is a partnership with South Africa's Ministry of Education to build the Oprah Winfrey Leadership Academy for Girls, which is scheduled to open in January 2007. The Academy's purpose is to train girls to become independent decision makers and leaders. It will feature a telecommunications system that will let Winfrey hold classes at the Academy by video from Chicago.

Winfrey believes that "the future of Africa depends upon the future of its girls and women. That's the only thing that's going to turn that continent around." And she clearly believes that the best way for African women to have a future is to become self-reliant.

—Jean Weicher

Creating Local Philanthropy Abroad

The Western world has much to offer developing countries in the traditions and management of charitable organizations. Revising tax codes that promote charitable giving and creating philanthropic business initiatives through employee matching grants and volunteer hours are some of the means of starting a tradition of philanthropy in the developing world.

Creating philanthropic institutions locally, where the need is, also stimulates local charitable giving. Building on these examples, foundations in developing countries have indeed been growing in number. They are found mainly in the form of community foundations, which serve particular communities and involve local people in identifying community needs.

Since the 1970s, 1,175 community foundations have been established in 46 countries including Kenya, Russia, Bosnia and Ghana. Incorporating local culture and promoting the idea of locally driven philanthropy, community foundations improve the quality of life in their homeland, while engaging in projects that will build local trust and lasting impact. An amazing 40 percent of community foundations now exist outside the U.S. While most of them are in countries of the former Soviet Union, countries in Africa and Southeast Asia are beginning to show more interest in forming community foundations.

Some of the large U.S. foundations have been instrumental in starting the momentum for community foundations abroad. Through financial support and advice, the Charles Stewart Mott Foundation and the Ford Foundation in particular are playing a crucial role in the global success and advancement of community foundations abroad.

One example of indigenous grantmaking comes from Kibera, Nairobi, one of the largest slums in sub-Saharan Africa, with limited electricity supply, no piped water, abysmal sanitation, and under-equipped health workers. In this environment, disease spreads quickly. Of the almost 1 million inhabitants, an estimated one in three are HIV-positive, many of them young people.

Allavida, a U.K.-based charity, worked with Kenya's leading grantmaker, the Kenya Community Development Foundation (KCDF), to create the Youth in the Community program. The program allows Kibera youth groups to apply for up to $1,500 each for projects that will benefit their communities. The Allavida-KCDF partnership also offers international funders an efficient and cost-effective mechanism through which a large number of small grants can be made. Combined, these grants represent an investment in improving the community at large.

Creating philanthropic institutions locally, where the need is, stimulates local charity.

In 2005, the Youth in Community program awarded grants to twenty youth groups for a range of initiatives, including collecting garbage and recycling, AIDS education campaigns, and training in how to run a small business.

With limited resources and rampant disease, it is a struggle for youth groups to maintain their activities. But with continued momentum of indigenous grantmaking, combined with the skill and initiative of Kenyan youth, the future holds promise.

—*Samantha Grayson*

Community Foundations across Borders: Accountability and Results

In 1990, the San Diego Foundation, a local community foundation, wanted to find a way of helping poor people abroad. It created the International Community Foundation (ICF) to support philanthropic projects in developing countries. Funding comes primarily from Mexican immigrants who live in North San Diego County.

One of ICF's first pilot projects, The Ties That Bind Us, in El Trapiche, a village in the Mexican state of Oaxaca, provided money to set up a fund to make small loans to villagers for their businesses. ICF collaborates with the California-based Coalition of Indigenous Communities of Oaxaca and the Centro de Desarollo Comunitario Centeolt, a Mexican NGO. With a budget of $8,000—which included $5,500 from 900 immigrants from El Trapiche, as well as an ICF grant of $2,500—Centeolt issued 32 microcredit loans in 2003 and 2004, the first two years of the program, which allowed poor people to start a business. All loans have been paid back in full with interest. Centeolt is now selecting new projects in the community to fund with the $5,500 in repayments and interest that it has earned.

ICF has expanded Ties That Bind Us to other communities in Mexico as well as to Argentina, the Dominican Republic, and China.

Another example of U.S. community foundations helping people abroad is the work of the Butuan City Charities Foundation (BCCF) in southern California, which raises money to help the 1 million residents of Butuan in the Philippines. BCCF's philanthropy is made easier by being able to give money directly to a local charity in Butuan, the Ivory Charities Foundation. This small-foundation-to-small-foundation giving helps assure donors in both the U.S. and the Philippines that worthy projects are being funded and that there is fiscal accountability thanks to monitoring of the results by Ivory Charities.

Six projects are underway, one of which is a microcredit program, currently popular throughout the developing world. New businesses—raising pigs, making peanut butter, buying and selling bananas, and selling the traditional *sari-sari* gown—are thriving. After two years, 245 people, 95 percent of whom are women, had received loans to start their own businesses. After the third year, an impressive 98 percent of loans had been repaid, and the available capital for new loans had doubled. —*Catherine Cleland*

Corporate Giving:
Creating Partnerships That Work

Multinational corporations and their foundations represent untapped sources of skills, knowledge, and networks that can add enormous value to promoting enterprise and reducing poverty in developing countries.

The central theme of the corporate profiles below is that without jobs, there are no resources to create and maintain improvements in social conditions. Nor will citizens have the motivation to better themselves and have a true stake in working toward the political and social stability of their countries.

Several of the profiles are of public-private partnerships where the U.S. government, through USAID's new program, the Global Development Alliance, contributes money to programs created by private corporations and foundations. USAID is often just one of several partners—which means that government aid must pass a "market test" that encourages government funds to be used primarily in projects that have already raised private funds and volunteer time.

The corporate giving programs demonstrate how foreign assistance can create jobs and lasting institutions in developing countries, perform efficiently by using volunteers, and provide peer-to-peer relationships so that real experts can provide assistance.

Hope for Botswana

About 300,000 of Botswana's 1.7 million people are HIV-positive. Young adults—the segment of the population most responsible for the country's productive and reproductive well-being—are the most heavily afflicted. An epidemic of such proportions has the potential to undermine every facet of life in Botswana. National productivity has decreased (absences due to ill health or death, death benefits, and rehiring and retraining costs directly affect company productivity, and can lead to company collapse); the government's ability to deliver essential services and sustain human development has been weakened; and efforts to promote foreign investment, diversify the economy, and create employment are in jeopardy.

A public-private partnership promises hope. The Republic of Botswana, the Merck pharmaceutical company, the Merck Foundation, and the Bill and Melinda Gates Foundation are the four partners of the African Comprehensive HIV/AIDS Partnership (ACHAP). Launched in 2000, each of the foundations contributed $50 million, while Merck donates its two antiretroviral medicines. The government of Botswana has provided a large portion of its national health budget, including land for Africa's first pediatric AIDS hospital and the construction of 36 outpatient clinics in rural areas.

The partnership employs basic business principles. To ensure that ACHAP-supported programs are locally owned as well as sustainable, ACHAP works with a local partner such as a rural clinic, hospital, or diagnostic laboratory. ACHAP funds are allocated through a process based on input from all the key sectors of Botswana's response to the HIV/AIDS pandemic—including the ministries of health, education, labor, and finance, and local governments as well as the National AIDS Coordinating Agency. It is through these agencies that ACHAP assesses and understands its market.

Just as a corporation operates from a defined business plan, so does ACHAP. Its purpose is to assist the National AIDS Coordinating Agency in the development of a comprehensive countrywide strategy to fight AIDS, with clear and measurable goals. ACHAP monitors progress with help from data collected by the Botswana HIV Response Information Management System.

ACHAP also collaborated with the Botswana Business Coalition on HIV/AIDS to create a Secretariat to help the private sector expand its efforts to gain control of the disease. By linking the business community with government and development partners, the Secretariat provides the private sector with a centralized resource for HIV/AIDS information, the development of workplace programs, policies, and support.

Despite substantial public and private financial support for ACHAP, initial progress was slow. But ACHAP was determined to build a strong business foundation from which to deliver reliable health care. The partnership's managers wanted to demonstrate that money is but one of many components of a viable national HIV/AIDS program.

Before being enrolled in an AIDS treatment program, each patient must be tested and counseled. After patients accept enrollment in the program, ACHAP provides follow-up services by requiring that they return to a clinic for scheduled visits to ensure compliance with their treatment regimens. If a patient fails to appear for this appointment, clinic staff is sent to his or her home.

ACHAP maintains active patient records in order to track adverse reactions and outcomes. As of December 2005, 50,000 patients have been enrolled for AIDS treatment at 16 clinics.

Angolan Alliances

Angola's agricultural sector remains hobbled by the damage done to the country's infrastructure during its 27-year civil war, burdening the 85 percent of Angola's workforce who struggle to exist as farmers.

To revive agricultural production in Angola's central highlands, the country's traditional bread basket, the Chevron Corporation, USAID's Global Development Alliance, the Angolan government, and five PVOs—CARE, Catholic Relief Services, Africare, World Vision, and Save the Children—have formed the $20 million Enterprise Development Alliance. Half the amount came from Chevron, and half from the Global Development Alliance. Between 2002 and 2004, 169,000 families—more than 900,000 people—received improved seeds and tools to grow food and restart their farms. Roads and bridges were improved to connect areas that were previously inaccessible due to the war, and to provide farmers with increased access to potable water.

Large-scale national seed-growing programs, which employ small local commercial farmers, have been established to reduce the costly importation of seeds for basic food production. The University of Agostinho Neto's agricultural science department has been re-opened with strengthened research and agricultural training programs.

The five PVOs helped soldiers who returned home from the war develop small and medium-sized agricultural businesses through the formation of more than 150 farming cooperatives. Catholic Relief Services contributed $700,000 of its own funds to this project.

The Alliance also has a microfinance component for which a private bank, NovoBanco, was established to create and expand small and medium-sized enterprises. In its first year, NovoBanco disbursed $2.5 million in micro loans and opened 5,000 savings accounts worth $1 million.

Robert Hellyer, USAID's country director in Angola, recognizes the impact of the Alliance: "The largest private sector presence in Angola, Chevron, has effectively challenged USAID to accelerate its assistance to address issues such as developing local private sector capacity sooner than otherwise would have been the case given severely limited USAID funding for economic growth programs."

When a government agency gives such credit to a private company, you know there's real progress.

American companies are known to be among the best employers in Slovakia, offering superior salaries, benefits, and opportunities for advancement.

Foreign Direct Investment in Slovakia: Direct Benefits

In the 1990s, foreign investors largely bypassed Slovakia in favor of friendlier markets in Central Europe. Since 2000, foreign investment in Slovakia has more than quintupled, making it one of the fastest-growing investment markets in the world. A well-educated labor force and comparatively low wages have helped, but it was largely the American Chamber of Commerce's work with the Slovak government to re-write the country's restrictive labor code that promoted investment and economic development. From 2000 to 2002, Slovakia's unemployment rate dropped from 20 percent to 15 percent.

The American companies U.S. Steel, Citibank, Whirlpool, and Hewlett-Packard have made significant investments in Slovak educational, cultural, and charitable activities. Combined, they have spent millions to build, furnish, and operate schools from the elementary to the university level; repair, build, and equip hospitals; make microloans; teach business ethics; support non-governmental organizations; promote athletic, artistic and cultural events; and improve the country's basic infrastructure.

U.S. firms are known to be among the best employers in Slovakia, offering superior salaries, benefits, and opportunities for advancement, and also have high percentages of Slovak managers.

Thanks to foreign direct investment, and the philanthropy that accompanies it, more and more people in Slovakia are leaving poverty behind.

Two-Way Partnerships Make Good Business Sense

Since the early 1990s, the U.S. Agency for International Development and the U.S. Energy Association have supported energy partnerships between American utility companies and energy providers abroad to create a unique form of development assistance.

Take the Sacramento Municipal Utilities District (SMUD) and Clark Public Utilities of Washington, which have partnered with the Dhaka Electric Supply Company (DESCO) to improve power delivery in Bangladesh.

Using experts who volunteered their time, SMUD and Clark conducted training courses at DESCO in Bangladesh, focusing on power distribution and utility maintenance. The volunteers followed maintenance crews on the job and provided suggestions on ways to reduce blackouts and prolong equipment life through routine maintenance.

When it came to maintenance of substations, the U. S. partners noted that transformers were located too close to walls, which impede cooling, shortening transformer life spans. The advice from SMUD and Clark experts was to install fans and exhaust ports to move hot air away from the transformers and out of the building. The U.S. partners also noticed that several splices had been made from wrapped wire, which causes line blockage and can destroy the line completely. They suggested that DESCO use compression sleeves or automatic splices to improve reliability and reduce system losses.

The SMUD and Clark partnership with DESCO is a prime example of a real partnership—where ideas flow both ways. Very advanced in the field of pre-paid meters, DESCO has installed a significant number throughout its service territory to improve revenue collection. The system uses smart-card technology that lets customers put money on it, then insert the card and remove it from the pre-paid meter in their homes. The meter reads a chip in the card and allows only the amount of electricity that has been paid for to be distributed to the customer. Customers can add funds to their cards by making payments at any DESCO customer service center.

SMUD employees were so impressed with this innovation from Bangladesh that it is poised to implement a test group of pre-paid meters in California at the end of 2006.

A true partnership at work.

The Conservation Coffee Alliance

The Starbucks Coffee Company, the U.S.-based non-profit organization Conservation International, and USAID's Global Development Alliance are working together to expand production of high-quality, shade-grown coffee in Mexico. The $3.2 million Conservation Coffee Alliance promotes sustainable coffee-farming practices that compensate growers fairly and protect the diminishing rain forests while supplying a growing market for quality coffee beans.

The coffee farms are located in the El Triunfo reserve in southern Mexico near the Guatemalan border—the largest reserve of biological diversity under intensive human management. The small-scale farmers typically grow their crops under a canopy of shade trees, often alongside other crops for domestic consumption or local markets. Since this system nurtures native flora and fauna critical to conserving the ecosystems in which the coffee beans are grown, coffee farmers become stewards of biodiversity. The Conservation Alliance has taken up the challenge to sustain human livelihoods while preserving nature's ecosystems through a "field to cup" approach where stewardship is practiced throughout the supply chain, from grower to consumer.

For many coffee farmers, supporting a family on income from coffee-bean sales isn't easy. In 1997, a 132-pound bag of coffee sold for $200. Due to new coffee growers like Vietnam entering the global market with large amounts of beans, the price dropped to $40 two years later. Farmers were told that their coffee was substandard and that they had to adopt new growing techniques that they did not understand.

In 2001, Conservation International began helping farmers in and around the El Triunfo reserve to grow coffee of higher quality and to sell that coffee directly to Starbucks. Starbucks agreed to buy the coffee—as long as it met certain criteria for quality and growing methods. Conservation International showed farmers how to meet those standards. Due to Starbucks' willingness to pay more for higher quality, income for a bag of coffee recovered to $100.

The El Triunfo reserve increased its client base from two to six marketing cooperatives in two years, while its number of farmers rose from 300 to more than 1,000. About 6,600 acres of coffee fields are now managed using the best practices for conservation coffee, and Starbucks has bought coffee directly from the project's cooperatives for four consecutive years, beginning with 75,000 pounds in 2001, and reaching close to 1.5 million pounds in 2004, the latest year for which data are available.

The Alliance is now employing its model in other parts of Mexico and in Costa Rica and Panama. It works with EcoLogic Finance, a U.S. non-profit offering affordable financial services to community-based businesses that operate in environmentally sensitive areas of Latin America and select countries in Africa. In 2004, 55 cooperatives in Latin America and East Africa benefited from $10 million in loans from EcoLogic. Its lending portfolio doubled from 2003 to 2004, with a 99 percent loan repayment rate.

—Jeremiah Norris

Worldstock: Internet Retailing Meets Rural Artisans

Patrick Byrne, CEO of the online store Overstock.com, took a break in 2001 and traveled by motorcycle across India and Southeast Asia. He was impressed with the first-rate silverwork, woodwork, table settings, silk, and home decor items that artisans were selling in remote villages. He realized that what these artisans had in common, besides their poverty, was the desire to provide for their families with dignified work.

Worldstock's goal is not to make money, but to create jobs for tens of thousands, ultimately millions, of the poorest people in the world.

Many of them were physically disabled, and all lacked money, but Byrne noticed the even larger problem they faced: From transportation difficulties to storage and marketing, the small-scale nature of their operations made it impossible to compete in a global mass-distribution marketplace. If supply chain management, communication technology, and marketing could be improved, even artisans in some of the most remote locations could better market their native art and crafts.

It dawned on Byrne that the central problem of artisans in developing countries was the same as for those selling small amounts of goods in the United States. He had just spent two years building Overstock.com into one of the most effective businesses connecting scattered supply with mass demand. Overstock buys excess consumer goods from manufacturers and sells them online at lower-than wholesale prices.

When he returned to the U.S., he started Worldstock, a store within Overstock.com designed to sell products directly from the artisans over the Internet in order to eliminate middleman costs and maximize returns for the artisans. Worldstock helps artisans identify markets for their products, make adaptations to their products so they will sell, overcome the transportation and other supply chain management problems common to developing countries, and finance their businesses through savings. Worldstock then sells the products, at a low mark-up, through the Overstock.com global sales network. In this way artisans receive an average of 60 to 70 percent of the purchase price of their works. The remainder goes to pay Overstock.com's costs for importing, duties, handling, shipping, credit card fees, and marketing.

In 2005, Worldstock generated more than $14 million in revenues and is making plans to reinvest any future profits in education programs in the artisans' home countries. Worldstock's goal is not to make money, but to create jobs for tens of thousands, and ultimately millions of people in the poorest regions of the world.

In the fall of 2005, the Bosnian women's organization Bosfam, a partner of the Advocacy Project, a Washington, D.C.-based non-profit organization concerned with human rights, secured an order for one hundred traditional Bosnian carpets, or *kilims*, from Worldstock. The order was a big boost for the weavers in the town of Srebrenica who had been struggling to find a market for their carpets. According to Bosfam director Beba Hadzic, the Worldstock order "is real economic support. These women can now send their children to school, put heating in their houses. It's really incredible."

In the Ethiopian capital of Addis Ababa, a local cooperative of craftswomen made elaborately embroidered traditional robes, but was not able to sell them on a large scale. Worldstock personnel advised the craftswomen to change the robe to a bathrobe, which Worldstock now markets as "The Organic Spa Robe." The marketing strategy has led to a large increase in sales, and has allowed the women to increase their workload dramatically.

Patrick Byrne sums up Worldstock's philosophy: "They [artisans] are capable of making exquisite centerpiece products. They could feed their families, vaccinate their babies, and send their children to school, if we in the developed world were to purchase the high-quality goods they know how to make. We realized that Overstock could bridge this global gap. The result is Worldstock, a store emphasizing sustainability, fairness, and transparency, while empowering artisans to achieve their dreams for themselves and their families."

—Samantha Grayson

PVOs and Volunteerism: Global Mission, Local Action

U.S. private and voluntary organizations (PVOs) are working to help the people of the developing world earn a living, start a business, prevent diseases, and educate their children. In short, PVOs aim to improve the quality of people's lives, and they function as program designers and implementers. They are at the nexus of money and results in the developing world.

In this section about PVOs and volunteerism, we provide sketches of some of the best examples of both the old guard and the new breed of PVOs. Among the old guard are two organizations with religious affiliations, Catholic Relief Services and American Jewish World Service. Their commitment and dedication to caring for the poor are spiritually inspired, and their time tested programs are a mainstay of development assistance.

The younger breed of PVOs are exploring new ways to capture the proceeds from charitable contributions and pass them on to other PVOs that implement the programs. Individual Americans now give more money to PVOs than do either the federal government or foundations. The Internet offers more efficient ways to harness the public's attention and money, and the baby boomers, with their homes paid for and their children schooled, are looking for other ways to gain satisfaction from spending their wealth.

The people at these new PVOs think in terms of what kind of "return" givers can expect to see from their investment in a particular program, and many depend largely on volunteers to fulfill their mission.

Traditional PVOs: Paving the Way

Catholic Relief Services

Catholic Relief Services (CRS), founded in 1943, works in over one hundred countries throughout the world. It is representative of the many long-standing PVOs that have been involved in all aspects of global relief and development work. As the official international relief and development agency of the Catholic Church, almost every Catholic diocese in the United States provides annual support to CRS for its international programs. In addition, CRS raises money from individuals, foundations, and the U.S. government.

While CRS is involved in helping people in most major disasters, it is also working at the grass roots level, helping villagers improve their lives. In Nicaragua, CRS is helping coffee farmers, who are struggling because of a global drop in coffee prices, to improve their production and lower their costs. Coffee farmers receive training in diversifying their sources of income and in forming cooperatives to gain greater negotiating power on crop prices. The project has succeeded in raising coffee prices from 8 cents to $1.25 per pound, allowing families to have enough money for their household needs. More important, they now feel that they are getting a fair price in return for their investments.

CRS helped a small village in Afghanistan improve its water system for growing almond and apricot trees. Providing cement, pipes, and tools to the villagers, CRS workers helped villagers build a protected drinking water system. Every man in the village dug twenty meters of trench for pipes, which were then connected to the water source. The village now has four public taps that draw clean water directly from the spring.

American Jewish World Service

What if power to choose promising projects were left to the masses instead of the experts?

The American Jewish World Service (AJWS), founded in 1985, supported more than 190 different grassroots organizations in more than forty countries around the world on a budget of $8 million in 2003. AJWS supplements its own small grants with funding from other foundations and government organizations.

In Honduras, AJWS works with the non-profit economic development group El Comité to increase fishing and agricultural yields. AJWS works with World Neighbors in Haiti, and with the Deepak Charitable Trust in India to help poor rural women finance their small businesses. Its partner in Thailand is the Pattanarak Foundation, through which the two organizations provide vocational training to non-Thai and landless youth in five communities on the Thai-Burmese border. In the Middle East, AJWS partnered with the American Near East Refugee Aid group to oversee and manage a loan portfolio for the Gaza Women's Loan Fund.

AJWS also sponsors a Jewish Volunteer Corps (JVC) that started in 1994 with three volunteers. Today, 62 skilled volunteers, including doctors, teachers, and social workers, work in 18 countries helping private organizations provide healthcare, literacy programs, and agricultural aid. *—Jeremiah Norris*

New PVOs: "Soft Heart, Hard Head"

GlobalGiving

"While at the World Bank, my colleagues and I went into a room one day and we said, 'What would happen if we just allowed anybody to come in and pitch ideas for fighting poverty worldwide, and what if we made decisions on the same day?'" With these two seemingly simple questions, Dennis Whittle and his colleagues created a marketplace for ideas.

In the World Bank's first Innovation Marketplace in 1998, employees presented all sorts of crazy projects and had 15 minutes to describe and sell them to their colleagues. By the end of the day, $5 million was disbursed to 12 projects proposed by the staff. It may have been the quickest the Bank had ever mobilized funding for new projects, and while the effectiveness of the ideas was still to be determined, the promise was great.

Dennis Whittle, at the time a co-leader of the World Bank's corporate strategy and innovation units, realized that the competition raised intriguing new questions with potentially massive implications. What if power to choose promising projects were left to the "masses" rather than the "experts"? Would people respond? Would they respond intelligently? Along with colleague Mari Kuraishi, who was also inspired by the results of this innovative experiment, Whittle left the Bank in 2001 to unleash the potential of this phenomenon. The result was GlobalGiving.

GlobalGiving has created an online marketplace that allows customers, i.e., donors, to "shop" for aid projects, much like they would for DVDs or books online, placing them in a "Giving Cart" on the way to checkout. The Internet lets GlobalGiving connect individual, corporate, and institutional donors with development projects of all types, around the world as well as in the U.S. To be listed in the GlobalGiving marketplace, projects must demonstrate a solid track record.

The organization retains 10 percent of any donation that passes through its platform to cover costs, with the goal of becoming self-sustaining. The balance flows directly to the projects, which are vetted by "project sponsors," a group of 36 reputable NGOs that are intimately familiar with issues on the ground and the social entrepreneurs involved. This approach avoids a duplication of efforts and allows GlobalGiving to keep its costs at a minimum. Donors have the ability to monitor the progress of the projects they choose through e-mail updates from the managers in the field.

Through this online marketplace, GlobalGiving levels the playing field for development projects. Donors have information about a much wider variety of initiatives, and are no longer limited to those supported by the high-profile organizations that receive widespread publicity in times of humanitarian crisis. It allows social entrepreneurs to pool their donations by letting donors finance part of a comprehensive package—akin to buying one table setting out of eight on a wedding registry. GlobalGiving offers gift registries too.

Already, the company has channeled more than $3 million for more than 450 grassroots projects in about sixty countries. The marketplace is growing exponentially: Between 2004 and 2005, donations quadrupled. With each additional donor, project, and dollar spent, the quality of the platform multiplies due to powerful "network effects": More projects attract more donors, more donors attract more projects, and so on, resulting in extremely robust outcomes.

GlobalGiving has raised more than just capital; it has raised the possibility of a much more efficient, effective method to channel aid and resources. It calls the structured, centrally planned approach to foreign aid of the World Bank into question. Global Giving contends that its decentralized approach is an important complement to the current model. In two recent experiments, the general public and aid experts were asked to rate the quality of various development projects to determine which should receive donor funding. In both cases the overlap was significant. GlobalGiving asks: Is all this bureaucracy really necessary?

It is easy to picture the evolution of GlobalGiving beyond a simple marketplace into a broader market system for philanthropy. As funding choices are presented side-by-side and information becomes available about which projects are producing measurable success, capital should begin to flow to those entrepreneurs who have demonstrated results—something sorely missing from today's philanthropic world.

—Jeffrey Spector

Geneva Global

Despite growing enthusiasm for charitable causes in principle, many would-be donors have been discouraged by the complexity of the world of philanthropy. Scandals and rumors about ulterior motives, diverted funds, lack of accountability, and the colossal amount of money wasted have disheartened many prospective philanthropists and led to donor fatigue.

The pull between the desire to help and the resistance to traditional methods of giving has sparked the remarkable ingenuity that linked two unexpected partners: philanthropy and business. The link has been forged mainly by the rise of "new philanthropists," people who have had great success in the business world and feel ambitious enough to work for big change that will benefit others. But these "philanthrocapitalists" are not abandoning the tools and methods that made them so successful in the business world.

One company that has embraced the world of philanthrocapitalism is Pennsylvania-based Geneva Global, a research and advisory firm with 142 employees and more than 600 volunteers, that specializes in helping private donors find carefully evaluated grant opportunities around the world.

Geneva Global prides itself in taking an investment approach to philanthropy to guarantee higher returns. The company's entire outlook and strategy are based on making both the donor and the recipient more active and responsible participants in the process. Geneva Global's slogans are a perfect expression of what drives the revolutionary movement of new philanthropy: Confidence, Not Just Hope / Results, Not Just Need / Less Here, More There / Global Reach, Local Initiative / Soft Heart, Hard Head. The company supports new philanthropists in their quest to give responsibly and effectively. These clients think like investors, and Geneva Global provides the services necessary for them to make a sound investment.

Geneva Global believes the best measure of giving is a direct, material difference in the quality of a person's life.

Geneva Global thoroughly tracks and reports on the performance of every grant made. First, the firm produces the equivalent of an investment report which carefully calibrates the expected risks and positive impact of each grant. Once the project is carried out, Geneva Global analysts provide donors with an evaluation of the results.

Geneva Global has identified human trafficking, a global and rapidly growing crisis, as one of its primary target issues. The company believes that "successfully confronting human trafficking requires multi-dimensional yet focused responses" and recommends clustering grants in one region in order to focus on all three categories of anti-trafficking programs—prevention, rescue, and legislation.

Ecuador, a hub for human trafficking, is a focal point for Geneva Global clients. Since 2004, more than $500,000 in grants have been made by donors to local organizations that fight trafficking. One example is a $47,000 grant made through Geneva Global to Fundación Amauta, an NGO in Ecuador's Chimborazo region, where children are frequent victims of labor trafficking. Amauta used the grant to teach more than 5,000 local citizens about the dangers of trafficking and how to avoid falling prey to traffickers. Two hundred and eighty children rescued from domestic servitude received legal, medical, and psychological assistance.

Geneva Global's results report concluded that the grant had positively and significantly affected the lives of 7,229 people—at a cost of $6.50 per life. While this analysis may strike some as insensitive, Geneva Global makes it clear that such a perception is precisely the problem with the conventional approach to philanthropy.

When consumers buy goods, they research their options and ask questions. When people invest, they expect a certain return on their investment and monitor it to determine whether it generates the expected yield. However, when people donate, many of them abandon all these standards and simply hand over their money to a worthy cause with little thought about the effectiveness of the grant. This lack of business-like market scrutiny leads to many ineffective charitable contributions.

Geneva Global calls itself a for-profit company—though not in the traditional sense. Any profits are invested in the company. Executive vice president Steve Beck explains: "Being for-profit drives us to measure our success in terms of delivering value to clients rather than on our ability to solicit donations." The firm's founding idea is that philanthropy should be treated like an investment in changing lives and building communities. Its system is designed to root out ineffective giving and reward success. Geneva Global boasts $18,000,000 in grants and 2,125,156 lives changed from 2004 to 2005. According to Geneva Global, the best measure of giving is a direct, material difference in the quality of a person's life.

Geneva Global's clients don't just "give money to charity," they "invest in change." Geneva Global has one message for the world's new philanthropists: "Give. Give generously. Most of all, be effective when you give."

—Daphne Leger

Kickstart and other Social Entrepreneurs

In 1996, Martin Fisher and Nick Moon sold the first MoneyMaker, a small pressure irrigation pump, to a poor Kenyan farmer for $55. Today Fisher and Moon's KickStart, an American non-profit organization with offices in Africa and the U.S., that develops new low-tech tools for developing countries, has sold over 36,000 of these portable irrigation systems throughout East Africa.

Resembling a rudimentary stair-climbing exercise machine, the MoneyMaker, which has been modified and improved since it was first sold, uses the energy produced by a person operating the stepper to pump water through a hose or sprinkler system. While in the past, the lack of good irrigation systems limited the ability of many East Africans to farm their land intensively, the MoneyMaker has allowed these farmers to increase their planting from an average 0.1 acres to 2 acres, and has increased their average annual income from less than $120 to $1,400.

Courtesy of KickStart

With so many of these systems in operation, Fisher and Moon can truly call their organization a success. KickStart is just one example of a growing number of companies now operating throughout the developing world that employ entrepreneurial solutions to poverty. Rather than working in the more traditional areas of development and aid, KickStart works to encourage local entrepreneurship and self-reliance.

When Fisher, who received a doctorate in mechanical engineering from Stanford University, and Moon developed the MoneyMaker, they were not thinking about making profit for themselves, but instead were looking for a way to help local Africans do so. Both men had spent time in Africa working for traditional aid organizations and had grown dissatisfied with the work they were doing. They felt that a lot of the development programs were undermining, not supporting, the development of indigenous markets.

"We realized, 'Hey, we [the traditional aid organizations] are actually competing with the private sector,'" Fisher says. "And we're putting in place things that are really not sustainable, because the minute we go away, these things just collapse."

In 1991, Fisher and Moon left the British charity ActionAid, and founded ApproTEC—Appropriate Technologies for Enterprise Creation. Their goal was to work with the poor East Africans they had been trying to help, to develop low-tech machinery more appropriate for their needs.

"The [widely accepted] concept of poor people is really that they need handouts," says Moon. "We say that a poor person is a very entrepreneurial person and the one thing they want in life is to get ahead." Fisher and Moon believe that rather than handouts, the poor need opportunities to use their skills and ingenuity. They are not alone in that belief. They represent what has become an increasingly popular term in the development field: social entrepreneurs.

J. Gregory Dees, professor of social entrepreneurship at Duke University's Fuqua School of Business, has written extensively about this phenomenon and describes a social entrepreneur as someone who "combines the passion of a social mission with an image of business-like discipline, innovation, and determination."

Dees argues that while most people connect entrepreneurship with business ventures and profit, this concept misses the essence of what true entrepreneurship represents. According to Dees, an entrepreneur in the truest meaning of the word is someone who "creates value." He is an innovator or catalyst, someone who looks for opportunity and makes the most of it. “Entrepreneurs,” he says “have a mind-set that sees the possibilities rather than the problems created by change.” In this way, social entrepreneurs merely represent one type of entrepreneur, one with a social mission.

Over the last two decades, both donors and aid workers have called for increased accountability in the development process, as well as a shift away from paternalistic forms of aid. In this environment, a number of new companies and foundations have emerged that promote entrepreneurial approaches to development problems. The movement towards accountability and market-based principles has been further enhanced by the growth of a new wealthy class—in the developing world as well as in the West. Successful in the business world, these pioneers want to use their wealth and know-how to help solve some of the world’s toughest problems.

Meet some Schwab Entrepreneurs

Bernard Njonga—*Service d’Appui aux Initiatives Locales de Développement (SAILD), Cameroon*

SAILD was started in1988 by Cameroonian Bernard Njonga. An agronomist by training, he left his job at Cameroon’s Institute for Agricultural Research to dedicate himself to helping his fellow countrymen. One of the first non-governmental organizations in a nation that had no framework for civil society institutions, SAILD focuses on helping farmers in rural communities form cooperatives to exchange information, and provides training for production techniques, price negotiations, and crop diversification. SAILD is active in Chad, Gabon, the Democratic Republic of Congo, and a number of other central African countries.

Javier Gonzalez Quintero—*abcdespañol, Colombia*

Javier Gonzalez started abcdespañol in Colombia in 1983. His educational program uses a game-based method to teach reading and math skills. Focusing on interaction between students —talking, exchanging ideas and seeking compromise—the abcdespañol system encourages the use of logic, deductive reasoning, and inference. Gonzalez believes that the high illiteracy rate in many Latin American countries is due to the standard rote learning methods. Gonzalez has worked directly with education authorities in many countries, sharing the abcdespañol method with teams of educators who pass the system on to others. Abcdespañol has been adapted for teaching Spanish, English, Portuguese and four Indigenous languages: K’iché, Mam, Kaqchikel and Q’eqchi’, and is now used in eight Latin American countries.

Roshaneh Zafar—*Kashf Foundation, Pakistan*

Roshaneh Zafar founded the Kashf Foundation in 1996 to provide micro loans to poor women in Pakistan. (*Kashf* means “miracle” or “revelation” in Urdu.) The foundation focuses on the economic transformation of women, by women. Zafar, who has worked at both the United Nations and the World Bank, has degrees in finance and economics from the University of Pennsylvania, and in international development economics from Yale. She returned to her native country to start Kashf, which was able to achieve financial independence after only eight years, and is also the first microfinance institution in Pakistan to offer savings accounts and insurance next to loans. Kashf has achieved a 100 percent repayment rate, and received the AGFUND International Prize in 2005, an annual prize awarded by the Arab Gulf Programme for United Nations Development Organizations.

—*Kate Knorr*

Social entrepreneurship is not a new phenomenon. Ashoka, a foundation that works with social entrepreneurs to help them achieve their goals, highlights people like Susan B. Anthony, Maria Montessori, and Gifford Pinchot, who were all innovators who worked hard to improve the way society functions. What is new, however, is the way in which the concept of social entrepreneurship has taken off.

The growing popularity of social entrepreneurship as a tool in development has been accompanied by a wave of new organizations in the U.S. that work to encourage social entrepreneurship in the developing world.

Companies such as Endeavor Global, TechnoServe, and Acumen, all registered public charities, help local entrepreneurs in the developing world navigate the many barriers they face in setting up a new enterprise. They provide training, work with entrepreneurs to develop and implement sound business plans, and either provide or help them find sources of funding. These companies are working to build trust among entrepreneurs, the private sector and the government in the hope that successful ventures can serve as models to encourage future developments. As Acumen says of itself, "Our aim is to create a blueprint for building financially sustainable and scalable organizations that deliver affordable, critical goods and services that elevate the lives of the poor."

At the same time, non-profit companies like Ashoka and organizations like the Swiss-based Schwab Foundation for Social Entrepreneurship identify and promote social entrepreneurs. (See the box on the opposite page to meet some of these agents of change.) Ashoka fellows receive a living stipend for up to three years that lets them devote themselves full-time to implementing their ideas. Schwab entrepreneurs, which include Moon and Fisher, as well as the founders of Ashoka, Endeavor and TechnoServe, remain connected to each other through the Schwab Foundation's global network of social entrepreneurs. Schwab facilitates the networking by providing technical and financial support to attend Schwab's "Social Entrepreneurs' Summit," the World Economic Forum at Davos, and other events.

Social entrepreneurship represents a new wave of thinking in the development process. Rather than focusing on the barriers that exist in many developing countries, these entrepreneurs focus on finding opportunities for using market-oriented approaches to create prosperity for even the poorest of the poor. Many have seen real returns. The MoneyMaker, which is produced and distributed locally, has led to the creation of more than 35,000 jobs in East Africa, and the total income generated from its operation now accounts for more than 0.5 percent of Kenya's GDP and 0.2 percent of Tanzania's GDP.

Social entrepreneurs set themselves apart not just from the traditional development world, but from the traditional business world as well. As an Ashoka fellow in India put it: "While a business entrepreneur may thrive on competition and profit, a social entrepreneur has a different motivation: …a dedication to changing the systems and patterns of society."

—Isaac Matzner

From Non-Profit to Profit—the Evolution of Microfinance

Carlos Moreno sold spices. He desperately needed to diversify his trade, but lacked access to the capital necessary to invest in his store. Then, in 1971, he got the break he was looking for: a small loan from Opportunity International's program in Colombia. Carlos acquired a variety of teas, medicinal herbs, and other holistic products. Over the next two years, as his store became overwhelmed with business, he hired 11 employees. Eight years later, Carlos cashed out on his hard work, sold his business, and retired to a life of travel, preaching as a pastor, and volunteerism. With a modest loan, and the belief that the poor could and would prosper if given an opportunity and adequate resources, the microfinance industry was officially born.

The term microfinance most commonly refers to providing loans, bank accounts, and other financial services to the poor. In the 1970s, when the first microfinance institutions (MFIs) started operations, business predominately entailed providing "microcredit," usually no more than a few hundred dollars, to aspiring entrepreneurs.

The belief was that these entrepreneurs had the ambition and work ethic to succeed; they just needed the capital. With capital, they could work themselves out of poverty.

Lending to the poor thirty years ago was not only visionary, it was revolutionary. Rather than basing loan decisions on credit history or collateral, MFIs were forced to evaluate customers' future earning potential to assess their ability to repay loans. MFIs also encouraged large volumes of micro-sized transactions, resulting in higher costs than for traditional banks. Grameen Bank, an MFI that launched operations in Bangladesh in 1976 under the leadership of the now-famous Muhammad Yunus, issued loans to villagers only if they could demonstrate that their assets fell *below* a certain threshold. It still does—customers who own more than a half acre of land fail to qualify for loans.

MFIs also had to devise a strategy that would contend with the more traditional problems found in developing countries, including unfavorable regulatory environments, ineffective or nonexistent property laws, high rates of inflation, and inadequate basic public services. Before MFIs came onto the scene, the options for impoverished entrepreneurs were usually limited to informal moneylenders who charged usurious rates of interest. Most of them simply had no access to capital at all.

Microfinance: Working for Everyone

The success of the initial microfinance programs was staggering. Not only did the early experience of microfinance lending institutions prove that the process was effective and sustainable, they also hinted at the prospect of profitability. Almost all customers repaid their loans. While industry-wide figures are difficult to determine, it is commonly believed that repayment rates today hover above 98 percent for the leading MFIs. As these institutions have prospered, so have their customers. Bancosol, a Bolivian MFI, has been able to lower its interest rates from 65 percent in 1992 to 22 percent today.

Recent studies have shown that microfinance has had a considerable impact on the lives of the poor. Two World Bank reports suggest a strong correlation between financial access and income levels, and indicate that developing a sound financial system leads to economic growth and poverty reduction—disproportionately benefiting the poorer members of society. A recent survey by the Consultative Group to Assist the Poor, a consortium of 33 public and private development agencies, also demonstrates that improved access to financial services results in increased personal spending on education and healthcare, and greater self-reliance for women. Microfinance is not the singular solution to poverty, but it does bring some sense of stability and control to countless individuals.

Despite these obstacles, MFIs saw an opening and their donor-funded socially oriented mission gave them the freedom to experiment and risk losing their principal. They also had the benefit of hindsight: From the 1950s through the early 1970s, state-owned development finance institutions offered agricultural credit to poor farmers at below-market interest rates. Customers often viewed these loans as gifts, and they had little incentive to repay them. As a result, these institutions failed to cover costs or maintain their capital bases. The MFIs recognized that in order to be sustainable, they needed to develop a debtor-creditor relationship, not one of donor-recipient.

The innovations that followed were impressive. Pioneering MFIs created solidarity group lending, offering loans to groups. Loans were collectively guaranteed, allowing lenders to use peer pressure to increase repayment rates. The groups' frequent meetings had an added benefit—they fostered knowledge transfers. Women also became a major focus and target for the first time, both due to the fact that women make up approximately 70 percent of the world's poor, and that repayment rates by women tend to exceed those of men. Today, women remain the main focus of such prominent microfinance networks as Women's World Banking and FINCA International, and, according to the Microcredit Summit Campaign, make up nearly 84 percent of the close to 67 million microfinance clients surveyed.

The positive impact of these earliest MFIs is encouraging, but it is the possibility of profits that has today's microfinance proponents most excited. Several of the top MFIs have already reached this point, and the Consultative Group to Assist the Poor (CGAP) claims that the world's leading microfinance providers have been nearly twice as profitable as their commercial counterparts over the past five years.

The promise of profitability is changing the face of the entire microfinance industry. Many of the successful non-governmental organizations of yesteryear have started the process of transforming themselves into for-profit entities. They contend that freeing themselves of the dependency on donor capital and reaching commercial viability is the only way to raise the capital necessary to reach most of the world's poor. ACCION International, a non-profit organization that invests in MFIs around the world, believes it would take $250 billion to provide micro loans to 500 million poor people, which is beyond the capability of the donor community. Several of ACCION's partners have already made the for-profit transition and at least one of them, Compartamos in Mexico, has tapped the local capital markets for financing, issuing $57 million in bonds.

The promise of profitability is changing the face of the entire microfinance industry.

NGOs are not the only ones taking notice. Domestic state banks are increasingly enticed by the microfinance opportunity. CGAP data shows that out of nearly 665 million loans and savings accounts held by the poor, only some 120 million are from MFIs. ICICI Bank, the second-largest bank in India, entered the world of microfinance in 2001 and has ongoing projects ranging from credit to specialized MFIs, to financing a network of solar-powered rural ATMs. Two years after making microfinance a strategic priority, ICICI forecasted a potential $1 billion portfolio from this market. The bank's strategy of downscaling into the middle and low-income markets has paid off: Profit has climbed an average of 50 percent for five years in a row.

The sleeping giants in this equation may be the large international banks, and they are slowly awakening. The biggest attraction for them in the near term lies in capturing a piece of the estimated $160 billion sent home via remittances every year to developing countries and keeping this money in the formal financial system. Most of the banks tend to focus on capacity-building activities, mainly providing technical assistance to MFIs as well as offering them services and loans. These projects have the dual benefit of enabling the banks to evaluate the microfinance market's future profit potential while simultaneously fulfilling some of their goals for corporate social responsibility. Ultimately, if there is a fortune to be made in providing financial services for those at the bottom of the economic pyramid, these banks want to be prepared.

Citigroup is the bank with the longest track record in microfinance and provides the widest array of services, ranging from retail services in India and Mexico to loans to MFIs in numerous other countries. The company has also indicated that it has long-term ambitions for this market. Even the major credit card companies are getting involved—Visa has partnered with FINCA International, and MasterCard with HSBC and Opportunity International.

As the focus turns to profits, the customer becomes king. Leading MFIs are expanding services to meet the demands of current and potential customers, resulting in a much broader range of products. New customers are no longer limited to entrepreneurs who need access to capital. Many poor people simply need a safe and affordable place to keep their money. In India, the poor pay up to 30 percent interest just to *deposit* money. Other services now offered by MFIs include microinsurance, pensions, and money transfer services. Some local MFIs are considering increased loans to successful entrepreneurs for fledgling small and medium sized enterprises. For the most part, however, this transition is happening slowly, and the majority of customers are still limited to basic services.

Despite the increased emphasis on profitability, profits are still the exception, not the norm. Critics argue that only the most successful MFIs with favorable geographic, economic, political, and cultural settings will achieve and maintain profitability. They also warn against "mission drift," a situation where NGOs that formerly focused on the social aspects of microfinance now overlook potential clients in an effort to remain profitable. Some question whether profitability should be the ultimate goal, since MFIs may have to become risk-averse to get there. Proponents contend that the evolution of the industry will see impressive technological improvements reducing costs. Wireless transactions through mobile phones hold particular promise and may be the technology that will allow developing countries to expedite the normal microfinance trajectory.

Until profitability becomes commonplace, donors will have a significant role to play in microfinance.

Unless and until profitability becomes commonplace, however, donors will have a significant role to play. Currently, international donor agencies and foundations spend approximately $1 billion annually on microfinance and credit projects, of which nearly 90 percent comes from public funds. There are some signs of change: In 2005, Pierre Omidyar, founder of eBay and the Omidyar Network, along with his wife, endowed $100 million to Tufts University to launch a microfinance fund. The Bill and Melinda Gates Foundation made its first strides in microfinance by awarding grants to ACCION International, Opportunity International, and Aga Khan Foundation USA.

Much work remains to be done. Out of three billion adults of working age, more than two billion have no access to financial services. The microfinance infrastructure needs to be strengthened, with a focus on more efficient payment systems, increased transparency, and novel technologies. Expanding service offerings, enhancing competition, and increasing access to the capital markets for financing will be critical as well.

Just as Carlos Moreno transformed a handful of dollars into a prospering business, so did a few small loans spawn a blossoming microfinance industry. What remains to be seen, is whether microfinance can become a part of the broader world of mainstream, profitable finance. Only then will microfinance truly succeed on a macro scale.

—Jeffrey Spector

Architects Volunteer for Humanity

In the South African town of Somkhele in KwaZulu-Natal province, 50 percent of the young adults are HIV positive by the time they are 25, and half of the girls won't live to reach their fifteenth birthdays. Drawn to the impoverished area on a mission to design and build a mobile AIDS clinic, the founders of Architecture for Humanity experienced the tragic reality of the pandemic firsthand when two of the local doctors on their team died of AIDS. They knew that making treatment more accessible was an urgent need, but ultimately found themselves asking how they could attack the causes of this tragedy and protect those who were still uninfected. In particular, how could they help the young girls to survive? Prevention was the obvious answer. It cost much less than treatment and could have a lasting effect. But they were architects. How could their skills promote health education?

The answer came when two nurses from a partner organization working on the mobile AIDS clinic mentioned that they wanted to coach a soccer team for girls. Though girls in rural South Africa do not have access to education or sports and generally stay at home, they are at high risk for rape, so there is no hiding from the threat of AIDS. These nurses saw an opportunity to use the time with the girls to educate them about AIDS prevention and help them build self-confidence.

Cameron Sinclair, who conceived AFH in 1999 while still in his twenties, observed, "We were originally just going to provide some soccer equipment, but realized there was an opportunity to create a sort of community hub. When a game is on, this becomes a non-intrusive, non-intimidating way to disseminate health education and services." He sensed that for health education programs to be effective, they had to be an integral part of the community. He thought this could happen by linking the soccer site to "other basic services the community needed—clean water, toilets, electricity."

Architecture for Humanity and its local partner, the Africa Centre for Health and Population Studies, sponsored a worldwide competition among designers and architects to design a soccer club that can also function as a health outreach center. Named Siyathemba (the IsiZulu word for "hope"), the project had simple ground rules: The facility had to be built with local materials and labor on a budget not to exceed $5,000. More than 300 designs from 37 countries were submitted. An international jury that included the curator of the Museum of Modern Art in New York City, a soccer player, and a representative from the ACHPS, selected nine finalists. Their designs were posted around town, and after three weeks, the girls on the soccer team got to pick the winner—it's their club, after all.

The achievements of the Siyathemba project go well beyond this one facility. Several local groups were inspired to expand on the ideas of Siyathemba: The Siyathemba Consultants, a consortium of youth leaders and community health care providers, hopes to use sports as a way to help the youth of KwaZulu-Natal province fight the spread of AIDS. The ACHPS has received funding from the Wellcome Trust and other groups to conduct a first rate health research program in a rural area. East Coast Architects is a network of visionary architects who hope to design buildings that "embody sound social, economic, and environmental principles" along the east coast of southern Africa. Finally, through the competition for Siyathemba, the world's stock of low-cost creative designs for sports facilities with a social focus has multiplied exponentially. AFH makes the designs for all of its structures available to anyone at no cost.

AFH head Cameron Sinclair has two mantras: "Design like you give a damn," and "Design with pride, not pity." He believes that beauty and aesthetics are important because they inspire people. While he says that when working with impoverished populations it is important to pay more attention to the basics of life—water, food, shelter, education—it is also important for these people in particular to feel uplifted.

Sinclair's competitions have given him access to high-quality volunteer talent and the ideas keep pouring in. Also, as word has spread through the Internet, he has been inundated with requests for help to link needs with quick, inexpensive solutions. With his laptop and his cell phone, Sinclair is able to manage his worldwide program on a shoestring budget, taking no salary for either himself or his co-founder wife Kate Stohr. There is only one problem: Fundraising has been difficult. AFH, based in Bozeman, Montana, has had to rely largely on private contributions, contest entry fees, and the local hot chocolate stand. As a result, many good projects are lined up awaiting sponsors.

There are signs the funding squeeze might be loosening: AFH just won two of the world's most prestigious awards for creative design—the TED (Technology Entertainment Design) award in 2006 and the INDEX Design award in 2005—and its visibility is increasing rapidly. Both awards include a cash donation intended to provide the boost winners need to take their ideas to the next level.

Sinclair's ideas are big enough to absorb any funding he can get. "There are 5.5 billion people who need better housing. In order to create that housing, you're going to need a million different solutions. Our role is to embrace and encourage the development of a million solutions."

—Catherine Cleland

Universities and Colleges: New and Better Worlds

Education not only gives people facts and knowledge, but opens their eyes to new worlds. While learning skills to help them make a living, many apply these skills to help improve the lives of poor people around the world. U.S. universities and colleges play a key part in equipping American students with the knowledge they need to help the developing world.

Through endowments and private scholarship funds, universities offer considerable financial assistance to students and scholars from the developing world. More than 40 percent of the foreign doctoral students in the U.S. come from developing countries. Studying side by side with these students exposes young Americans to issues affecting the lives of people in other countries. Inspired by programs like Crossroads Africa and the Peace Corps, many American students and recent graduates want to help solve entrenched problems around the world. The demand is greatest for technical skills in engineering, business, agriculture, physics, and biology.

This section provides examples of some of the ways in which American colleges and universities are involved in assisting the developing world.

Brain Gain: How American Universities Benefit the Developing World

For decades, citizens of developing countries have come to the U.S. to study at this country's universities. Many remain in the U.S. after graduation, a phenomenon that has long worried development specialists, who believe that this "brain drain," or the migration of educated and skilled workers to developed countries, is detrimental to the struggling economies of poor nations.

But the focus on "brain drain" diminishes the accomplishments of those graduates who do return home, carrying with them the knowledge they have acquired abroad. These graduates of American universities are able to apply their education to the economic and political development of their countries. They are able to create and take advantage of economic opportunities, letting them increase their income and independence. Yet their stories are not often told.

Take Patrick Awuah, a graduate of both Swarthmore College and the Haas School of Business at the University of California, Berkeley, who founded Ghana's first liberal arts college. Ashesi University—named for "new beginnings" and modeled after Swarthmore—opened in 2002 and has more than two hundred students. Awuah recruited the faculty, administration, and board of trustees, and partially funds the college with his personal finances. He raises the rest of the money from foundations and corporations, including his former employer, Microsoft. The curriculum includes a liberal arts core developed with Swarthmore faculty, as well as pre-professional programs in computer science and business management.

Since 2000, the Ford Foundation has provided scholarships to students from impoverished countries through its International Fellowships Program. One scholarship recipient, Samuel Duo, a Liberian refugee who had fled to Ghana, completed his master's degree in agriculture at Pennsylvania State University last year. Duo returned to Liberia to open a new office for the Social Enterprise Development Foundation of West Africa in the capital of Monrovia, to help rebuild his country.

Awuah and Duo's accomplishments represent only part of the story: those who have moved back home to help. There are many who remain in the U.S. But that does not mean they simply cut their ties to their home countries. They send money to their families and communities, communicate ideas, or make financial investments in their homelands. Monique Maddy, a Liberian immigrant to the United States, founded the African Communications Group (now Adesemi Communications International) in 1993 to finance, build, and operate low-cost wireless telecommunications services in developing countries. While the company ultimately failed in 2000, Maddy has remained committed to her native continent.

The focus on "brain drain" diminishes the accomplishments of those foreign graduates who return home, carrying with them the knowledge they have acquired abroad.

Maddy, who received an MBA from Harvard, recently developed the Global Private Sector Initiative for Africa (GPSIA), a coalition of global businesses that will invest in Africa's emerging markets. "GPSIA's goal," says Maddy, "is to enable participating global corporations to make money in Africa, but to do so in a way that supports local entrepreneurs, expands the markets for their products and services, and enables local consumers to move from the bottom to the middle of the economic pyramid, creating a virtuous economic growth and allowing the beneficiaries to become key contributors to a society that is built and sustained by the middle class, and more effectively integrated into the global economy." In other words, she embraces private enterprise as the means to create lasting prosperity in Africa.

Duo, Awuah and Maddy's contributions to their countries are by no means due to their U.S. educations alone. Without their personal drive and ambition, their very real accomplishments could not have happened. But it is no stretch to conclude that the knowledge and experiences gained during their time in the U.S. provided a foundation from which to tackle the problems of their home continents. American colleges and universities gave them the tools to make a difference. —*Jean Weicher*

The New Business of Business Schools

Across the nation, business schools are reinventing themselves. Traditionally concerned with breeding managers and entrepreneurs who can thrive in a for-profit world, these schools are now training MBA students to flourish in environments driven by concern for the welfare of others as much as by the desire for profit. The focus of these institutions is changing not only in character, but is also expanding across international borders as markets and issues become ever more global.

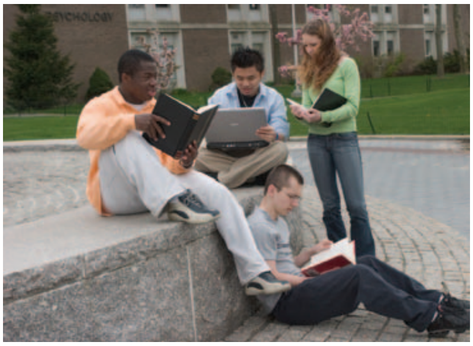
Evidence of these transformations is plentiful. Coursework reflects the new trends. Social enterprise institutes—centers that support research intended to help the poor—are popping up on university campuses around the country. Business schools now assist students and alumni who venture into the non-profit world through grants, subsidies, and fellowships.

Why are business schools getting involved in the world of philanthropy? They are responding to the laws of supply and demand: More business school students are demanding these initiatives. Why are MBAs craving new curricula? Their demand is a result of a number of new realities.

The advent of corporate social responsibility (CSR)—the notion that a corporation should take into account the welfare of all its stakeholders—is a major driver of this phenomenon. Proponents of CSR argue that this holistic approach to conducting business is not only appropriate on moral grounds, but leads to maximum profits as well. Marc Benioff, founder of salesforce.com and author of *Compassionate Capitalism:*

How Corporations Can Make Doing Good an Integral Part of Doing Well, contends that an "integrated corporation," or one that "creates value for its shareholders and stakeholders alike," plays a crucial role in attracting today's best and brightest minds. "Employees seeking greater levels of fulfillment in their own lives will have to look no further than their workplace," he says. This is not mere rhetoric: salesforce.com has implemented a "1 percent solution," whereby the company donates 1 percent of its time and profits to help the communities in which it operates.

Market-based approaches to international development and foreign aid are growing in popularity. The success of microfinance—small loans and financial services for the poor in developing countries that allow them to start a business—and the promise of investment funds for small and medium-sized enterprises are increasing opportunities for "venture philanthropy," the combination of business and benevolence.



And donors are starting to demand accountability; they want evidence that their dollars are being used effectively. Many non-profits are now meticulous about tracking data and need individuals with impressive quantitative tracking skills to help them determine measures of progress and how to minimize the cost of data collection and analysis. As Matt Nash, associate director of Duke University's Center for Advancement of Social Entrepreneurship, says, "This isn't your mother and father's non-profit world anymore."

Another aspect of this new non-profit world is the changing demographics of the student body. Take Duke University's Fuqua School of Business, where the international student population has risen from 14 percent for the class of 1997, to 36 percent for the class of 2007.

Lastly, the world is becoming "flatter," to borrow the term from Thomas Friedman's *The World is Flat: A Brief History of the Twenty-first Century*, and globalization demands new skills and attitudes from people everywhere. Jacqueline Novogratz, founder of the Acumen Fund, a non-profit venture fund that aims to reduce global poverty through entrepreneurial approaches (described briefly on page 55), believes that, "We have the real opportunity in the world to create the kind of change that wasn't possible when I was in business school fifteen years ago…"

C. K. Prahalad, professor at the University of Michigan's Ross School of Business, has inspired an entire world of new thinking with his Bottom of the Pyramid theory that multinational corporations can simultaneously help and profit from the poor. These days, MBA students might place themselves at a disadvantage in the global marketplace if they disregard emerging markets in developing countries.

Business school students and graduates are up to the challenge, becoming a powerful force in the social sphere, creating and running all sorts of venture philanthropies.

Net Impact, a network of MBA students "committed to using the power of business to improve the world," has seen its membership soar from 3,288 in 2001 to 13,500 in 2005. Students4Students (S4S), a partnership of students and alumni from Columbia, Harvard, the University of Pennsylvania, and South Africa's University of Cape Town, have pooled their skills to assist the Ubuntu Education Fund, a group that works to improve education and health care, in Port Elizabeth, South Africa.

S4S plans to invest $2 million over the next five years in the Port Elizabeth townships, and to send thirty American MBA students to South Africa for two weeks to teach 49 Ubuntu employees basic business and financial skills. Beyond enhancing the staff's background knowledge, S4S hopes the instruction will help the employees better understand some of the financial pressures facing the organization.

The Wharton International Volunteer Program at the University of Pennsylvania is sending a separate team of four MBA students to Ubuntu headquarters in Port Elizabeth to help Ubuntu develop a business plan for its brand-new Wellness Center, which would let Ubuntu provide comprehensive health care to the community for the first time.

The desire of business school students to help fellow humans does not seem to fade after graduation. Alumni from the business schools at Stanford, Columbia, and the University of Pennsylvania have gone on to found prominent, business-oriented social ventures like the Acumen Fund, Agora Partnerships, Technoserve, and VillageReach, all of which are developing new approaches that challenge traditional models of philanthropy and aid.

Millions die of disease, hunger, and malnourishment every year. Money alone cannot create lasting improvements. More and more philanthropists are employing creative, market-based approaches to give people in the poorest nations the tools to improve their lives for good. America's business students are among these life-altering pioneers.

—*Jeffrey Spector*

Money alone cannot create lasting improvements.

Engineers without Borders

It all started when some migrants working for a landscape company in Colorado noticed that the owner of the land on which they were working was an engineer. Maybe, they thought, he could help them design a water system for their native village in Belize. One had the temerity to ask. His instincts were good: The owner turned out to be Bernard Amadei, a professor of civil engineering at the University of Colorado. Amadei was intrigued and said yes, he'd like to try. In fact, Amadei had always wanted to apply his knowledge in the developing world.

Amadei traveled to Belize in 2001 and found that water distribution was a serious problem in the village. While adults were working, the children carried containers of water—on their heads—from the river to the village. Since the village did not have electricity, Amadei knew that the solution demanded creativity and that he would need help. Upon returning to Colorado, he recruited a team of eight civil and environmental engineering students and one local civil engineer.

When the team members arrived in Belize, they worked closely with local citizens and devised a pump system driven by a small waterfall, leaving behind an efficient water delivery system and a good example of lasting development assistance. By engaging the villagers as collaborators, the team was able to integrate cultural, economic, and local considerations into its approach to the problem. By May 2001, they knew that the local residents were capable of operating and maintaining the pump without outside help.

Engineers Without Borders was born from this experience, founded by Amadei and a group of students and faculty from the University of Colorado. In a few short years, more than 3,000 members have signed on to volunteer their skills. Projects are underway in forty countries. EWB's objective is to develop a "new generation of engineering students and professionals who are internationally educated and aware of the problems faced by the majority of the world's population." There are both professional and student chapters. The organization offers students the opportunity to try their hands at engineering supported by experienced professionals and guided by the needs and insights of the people they are helping. Students also can see firsthand how water and energy supply, shelter, health care, and job creation are intertwined.

An estimated 20 percent of the world's population live without clean water, and 40 percent lack adequate sanitation. The magnitude of the problem is daunting, but following the recommendation of the United Nations, Engineers Without Borders emphasizes small-scale solutions. By partnering with one community at a time, EWB members have a chance to leave the people who live in these communities with more than a new water or sanitation system. They leave them with the knowledge that they can better their own lives.

What better educational experience could an engineering student have?

—*Catherine Cleland*

Religious Organizations: Doing Good and Doing It Well

Religious congregations have discovered new ways to respond to the plight of the poor in developing countries. Organized religions in the United States were the first institutions to deliver humanitarian assistance abroad, either through their ongoing missionary work or in direct response to natural disasters. With the spotlight on global poverty and pandemics raging throughout developing countries, religious organizations have scaled up their work abroad. They are increasingly devoting more resources to the causes of poverty, not just to the relief of its symptoms.

There are more than 250,000 religious organizations in the United States today. The stories below are of compassion and a true commitment to helping people without regard to the recipients' religious beliefs or ethnic origins. Some of them have developed sophisticated management skills and delivery systems. We have included examples of large churches and smaller ones to paint a better picture of the range of activities of religious groups.

These testimonies demonstrate the depth and breadth of the transformation which has taken place among religious organizations in their international missions and the communities they serve. They have become active partners with businesses and international development agencies. In the process of this new assimilation, they have also crossed their own traditional religious boundaries to collaborate with other faiths.

The Index *was able to capture only a small portion of religious giving from the United States to developing countries. We hope that religious groups will recognize the importance of documenting the projects they undertake in the future, and we encourage them to send us information on their contributions and programs.*

The Damascus Wesleyan Church, Maryland

The members of the Damascus Wesleyan Church just north of Washington D.C. faced a dilemma: Build a new church somewhere in Africa, or actively improve people's lives. In the mid 1990s, the church began a fundraising program that resulted in donations and pledges of $287,000. Instead of using these funds to build a new church in Zambia, parishioners opted to purchase a 99-year lease on 10,000 acres of land. The land came with a beautiful farm house, 2,700 fruit trees, cattle, four deep wells, and three dams.

Damascus Wesleyan Church now runs an orphanage for 300 children on this land. It has an elementary school and two- and three-bedroom homes for teachers and students that cost between $7,000 and $8,000 each to build. Its agricultural program assists families in establishing farms. Each participating family receives 25 acres to till, complete with a water source, oxen, and a plow for three years. During this time they are taught how to prepare the soil, substitute new crops for the traditional maize—constant replanting of the same crop depletes the soil—and plant the right seeds at the right time. By mid 2005, the agricultural program had a dozen graduates.

Mount Zion United Methodist Church, Maryland

Mount Zion United Methodist Church, located just north of Baltimore, Maryland, founded the Children of Zion Village for orphans in Namibia. It officially opened on January 17, 2003.

On a Sunday in 2001, Pastor Craig McLaughlin had announced to his congregation of 650 that their church building would be getting air-conditioning, but only after they raised funds to build the Namibian children's home.

Relying on a combination of paid and volunteer staff consisting of Africans and Americans, the Namibian children's home provides shelter, medical care, clothing, and schooling for orphans as well as food for chickens, goats, and horses—at a cost of about $11,000 per month. A modest portion of this amount is raised locally in Nambia, but most of the support comes from fifty United Methodist churches and many individuals in the United States.

Religious groups are devoting more resources to the causes of poverty, not just to the relief of its symptoms.

Mission Without Borders International, California

Mission Without Borders International is a non-denominational Christian organization in Camarillo, California dedicated to serving the physical, emotional, and spiritual needs of the poor and persecuted around the world. In Albania, Mission Without Borders provides extremely poor families with food, clothing, hygiene products, health care, computer classes for high school students, and child care. In 2004, Mission sponsored 375 children to attend summer camps in Albania.

Mission projects in Bosnia include child and elder care, which greatly improved the quality of life for the elderly with personal visits, counseling, and occupational and social activities. In 2004, Mission provided 19,920 cooked meals for the elderly in Bosnia.

Mission projects in Moldova provide vocational and educational training to children, teaching them agricultural skills and bee keeping. As a result, many of the children's homes sponsored by Mission are supplied with honey, sunflower oil, wheat and potatoes.

Mission's staff never loses sight of the long term. They realized that once children left their institutions at high-school age when they are no longer eligible, they became disoriented and had nowhere to go. They were not able to work and provide for themselves because they were young and inexperienced and did not have the necessary training. So Mission Without Borders started a scholarship project to give these students a step up in adult life. The project offers training and professional experience in a particular technical field. Upon graduation, students have the necessary qualifications needed for employment and self-sufficiency.

Brethren in Christ Church, USA

The Brethren in Christ Church is representative of how extensively American religious organizations are engaged in healthcare services throughout Africa. It is also a statement about their willingness to stay the course in very difficult environments. In 1906, the Brethren in Christ Church opened the Macha Hospital in the high arid savannah in southern Zambia. Over the past century, this hospital has grown from a handful to 208 beds. Macha Hosptial now includes numerous outpatient services for some 140,000 people scattered across a large rural area.

The patients are poor subsistence farmers, dependent entirely on the fertility of the soil and whims of the weather. It is impossible to charge them enough for the hospital to cover its costs, so its operating budget is covered by continuing donations from Brethren in Christ members, subsidies from the Zambian government, and donations from small philanthropic organizations such as HelpMercy International.

Macha is now a Certified Antiretroviral Clinic for treating HIV/AIDS patients. This certification is due to the hospital's past success in treating infectious diseases. Incidences of malaria have dropped significantly, leprosy has declined so much it is now a rare disease, neonatal typhoid is no longer common, and death from measles, which until recently killed 10 percent of those infected, is now the exception. The newest addition to the hospital complex is the Malaria Research Center, which was made possible through funding by Johns Hopkins University.

The Presbyterian Church, USA

The International Health Ministries Office (IHMO) of the Presbyterian Church coordinates the ministries of the Presbyterian Church for international health services and development. The IHMO works in partnership with overseas churches and institutions to facilitate health programs that place priority on the most vulnerable and poorest segments of the population. These programs operate in thirty countries worldwide and emphasize ways to alleviate the causes of disease.

One of the Presbyterian signature activities, the NetWorkers Malaria Prevention Program, coordinates parishoner projects to control malaria by using insecticide-treated mosquito nets and community education. There are currently 15 NetWorkers projects in Africa and Asia. Each is supported by Presbyterian Women in the United States, and their sister organizations at the project sites.

Led by the Presbyterian Women's groups, congregations in the U.S. support the NetWorkers project by helping to purchase and sew mosquito nets and developing educational materials. Young people in their congregations help provide nets for children by participating in the "Nickels for Nets" mission activity. The NetWorkers Malaria Prevention Program has assembled 10,000 mosquito nets for Africa.

The United Methodist Church, USA

The United Methodist Church arrived in the North Katanga province of the Congo in 1962. Due to continuing civil unrest, the Church had difficulty establishing itself on a permanent basis. Today, in a more stable environment, the Methodist Church undertakes commercial initiatives, including agricultural production and cooperatives. For the first time, there is sufficient food with good harvests and thriving livestock.

A group of parishioners called Kamina Friends from the Fairport United Methodist Church in upstate New York is currently at work to bring an "enterprise facilitation" project to the Kamina area of Katanga. Enterprise facilitation is a small business development model created by the Sirolli Institute in California. It has the potential to assist in the creation of many small businesses through the use of a highly trained consultant who provides free and confidential advice, supported by a broad cross-section of Kamina community leaders who form the advisory board of the project. Confidentiality is required in order to protect the advice given to one farmer from another, to avoid any questions of favoritism. The Kamina Friends believe this model will introduce the concept of microenterprise—small businesses, small-loan facilities, collective purchasing power—to Katanga.

Church of Jesus Christ of Latter-day Saints, USA

Compassion and actively helping people at home and abroad are a long tradition of the Church of Jesus Christ of Latter-day Saints. In 1851, Brigham Young and other Mormons taught American Indians to farm. The Church shipped food to famine-wracked China and those overwhelmed by earthquake and fire in San Francisco in 1906. Welfare Square in Salt Lake City—several city blocks of stores and buildings with food, clothing, and medicines for the needy, whether members of the Church or not—has been a Mormon institution since the 1930s. Mormons also shipped food, clothing, and medicines to Europe after both World Wars.

It was not until 1985, however, that the Church formally constituted its humanitarian services abroad. One of the first projects was to ship emergency supplies of food, medicines, blankets, tents, and clothing to thousands starving in Africa during the Ethiopian famine. After Hurricane Mitch in 1998, Church president and prophet Gordon B. Hinckley, while visiting the devastated areas of Central America, challenged his staff and the Church to be generous, and also to become a world-class organization in relief and development. Up until then, the Church had "done good," he said, and now it had to "do well" in delivering assistance to the poor overseas.

Helping People Help Themselves

"Our primary purpose was to set up, in so far as it might be possible, a system under which the curse of idleness would be done away with, the evils of a dole abolished, and industry, thrift and self-respect be once more established among our people. The aim of the Church is to help the people help themselves. Work is to be re-enthroned as the ruling principle."

—Heber J. Grant, president, Church of Jesus Christ of Latter-day Saints, 1936

"Many programs have been set up by well-meaning individuals to aid those who are in need. However, many of these programs are designed with the shortsighted objective of 'helping people,' as opposed to 'helping people help themselves.' Our efforts must always be directed toward making able-bodied people self-reliant.

—Church Ensign Marion G. Romney, 1982

Mormons took this to heart and developed a first-class management, record-keeping, and evaluation system for their overseas charity. From 1988 to July 2005, Mormons sent 131,507,624 pounds of clothing to 150 countries. In 2004 alone, Mormons sent 40,250 wheelchairs to 61 countries; trained 15,070 people in 19 locations in neonatal resuscitation; and provided clean drinking water to 580,272 people in 26 countries and trained them to maintain the water systems; and 3,936 people in 11 locations either received cataract surgery or were trained how to perform it. The Humanitarian Services of the Church has detailed records on the $79 million worth of goods and volunteer services sent to developing countries in 2004. It should serve as a model for other religious organizations to better measure the good works they are doing.

In addition to good management, volunteerism is central to Mormon programs. One hundred percent of donations to the Humanitarian Aid Fund go to needy recipients—overhead costs are taken out of other Church resources, and volunteer time reduces costs. At any one time, 5,000 to 7,000 senior married couples volunteer overseas both to supervise the 42,000 young missionaries and to work in relief and development assistance. Young missionaries volunteer at least four hours per week in humanitarian work, and some 450 "welfare services" couples, volunteer all of their time to relief and development work. These married couples work in developing countries solely on relief and development projects, and cover their own expenses.

Probably the strongest tenet of the Mormon humanitarian programs is self-sufficiency. The Church believes that people are happier when they accept responsibility for their lives. And, people who are self-reliant can better help their neighbors and communities.

—Carol Adelman

Remittances: The Trend that Is Changing the World

The massive amounts of money sent home by immigrants and temporary workers—involving little or no overhead, and filling people's basic needs directly —is changing the landscape of development and donor agencies. Equally important, immigrants are a source of knowledge, values, and innovation for their hometowns.

Immigrants send money home to their families—either individually, or by coming together in the U.S. through Hometown Associations to raise funds collectively for towns and communities in their home countries. Many of these groups are sophisticated fundraisers, with well-structured and detailed plans for creating prosperity for their relatives and friends back home.

Whether providing money, innovative ideas, or technical know-how, immigrants from developing countries are changing their compatriots' lives for the better.

Improving Where You're From, From Where You Are

Immigrants in the United States keep close ties to their home countries by continuing to practice their native cultural traditions in their adopted home. They have also created a modern tradition—Hometown Associations (HTAs)—by which they do more than merely stay connected with their home communities. They improve them.

Mexican immigrants are the ones who are most involved in HTAs, and they have established about six hundred in thirty U.S. cities. Membership for each HTA ranges between fifty and two thousand, and the clubs are led by five to fifteen core members who mobilize financial resources and personal involvement of fellow immigrants to improve social, educational, and economic conditions in their Mexican communities, and to support family members there.

A number of U.S.-based federations of HTAs serve as umbrella organizations for HTA groups in different areas of the country. One of these is the Zacatecan Federation of Southern California, formed in 1986, which consists of sixty HTAs that seek to address social and economic problems in the Mexican state of Zacateca. Contributions to the Zacatecan Federation fund projects for education, health, transportation, recreation, water and power supply, and sewer systems.

The HTAs not only donate money to Mexican communities, but also play an active role in working with Mexican local and government leaders to decide on, implement, and monitor assistance projects. The most successful projects are those that meet needs jointly identified by the people in the state of Zacatecas and the HTA federation in California. When immigrant leaders visit their home towns in Zacateca, they hold town meetings to determine specific needs and report back to the Zacatecan Federation in California. HTA members then start raising funds for the project.

Since the inception of the Zacatecan Federation, three levels of government in Mexico have created matching-grant programs for funds raised by HTAs. For every dollar donated by an HTA, a Mexican municipal fund, the state of Zacateca, and the Mexican federal government match the donation, transforming it from one dollar to four, known as the 3x1 Program. All funds are channeled into projects for towns in Zacateca.

The Zacatecan Federation has become influential in policy reforms by lobbying for a better market environment to encourage immigrants to invest in Mexico. The Rockefeller Foundation has given a grant to the Zacatecan Federation that allows a full-time Federation staff member to spend all his time on projects designed to generate jobs in Mexico. Efraín Jiménez Muñoz, executive projects director of the Zacatecan Federation, believes that, "The remittances sent by migrants to Zacatecas are a powerful economic force for economic development, which provides financial resources that not only help alleviate poverty by sustaining the basic needs of our families, but also promotes community development."

Muñoz does acknowledge the risk of families growing dependent on remittances. This is why the Federation and the Mexican government will introduce another program this year to generate jobs, and to teach people how to fund their own businesses. It is these direct people-to-people interactions that can build lasting success. —*Alan Fairbank*

Financial Services for the Poor: What Banks Are Doing

Immigrants have been using bank wire transfers to send money back home for years. The sheer size and growth in these remittances has created new interest among banks such as Citibank, Wells Fargo, Bank of America, Wachovia, U.S. Bank, and Harris Bank. Mexico alone received more than $13 billion in remittances in 2004.

The banks view remittances as a way of entering new markets and establishing longterm relationships with clients. They have developed new and innovative products for migrants, who typically do not even have a bank account. Citibank launched a new "cross-border account"—called the "Access Account" in the United States, and the "Tricolor Card" account in Mexico. For the Mexican immigrant in the U.S., the Access Account requires no minimum balance, nor is a social security number needed to open the account. Money can be sent through an ATM machine, over the Internet, or by phone to the recipient's Tricolor Card account in Mexico, where cash can be accessed in minutes either from a bank branch or at an ATM machine. It costs only $2 to open this account, and the recipient does not need to have another account with the bank.

The challenges to designing affordable and efficient money transfer systems are enormous. Many Latin Americans are not willing to use the banking system in their own countries because of concerns over instability and government control of the banking system. Immigrants here in the U.S. often do not know how to use ATMs and computer banking to their advantage.

In 2004, Citigroup and the Citigroup Foundation started a ten-year $200 million financial education program. The program focuses on the "unbanked population" in both the U.S. and other countries. By providing innovative products for the remittances market, banks are encouraging senders and receivers to use bank accounts, establish credit ratings, build up collateral—which will let them apply for loans and start or expand a business—and improve their lives. —*Carol Adelman*

Indian Immigrants Return to a Market-Friendly India

The Indian diaspora, about 20 million strong, is distinguished by its high proportion of educated and highly skilled professionals. The purchasing power of all Indians living outside of India is estimated at $300 billion. Almost one tenth of Indian immigrants have come to the United States, and their numbers are increasing. Indians send back more remittances on a per capita basis than any other immigrants in the U.S., and are a significant source for national development in India—not to mention their contribution to the American economy.

Many Indian immigrants are experienced in the medical, business, technology, and industrial sectors before they leave India. In 2004, more than 40,000 India-trained doctors practiced medicine in the U.S.—accounting for 5 percent of all doctors in the U.S., and 22 percent of all foreign doctors trained outside the U.S. About one third of the software engineers in the high-tech corridor of Silicon Valley in California are Indian, while 7 percent of the Valley's high-tech firms are led by Indian CEOs. In 2000, the median family income of Indians living in America was 20 percent higher than the U.S. national median income of $50,700.

Other Indian immigrants have found a niche in the budget motel business—90 percent of which is owned and operated by Indian families.

To some extent, this extraordinary influx of Indians to the U.S constitutes a "brain drain" for India, which until recently has not had adequate employment opportunities for those graduating from colleges and universities in India. Many such professionals from India have come to the U.S. by way of the H1-B visa program—almost half of 330,000 such visas issued in 2001 were to Indian immigrants.

Now that the Indian government has provided a more market-friendly environment, Indians are returning home and are developing a high-tech sector, concentrated mainly in Bangalore. Software exports from India went from 2.4 percent of global exports in 1996 to 14 percent in 2001, and are continuing to grow.

Instead of being a brain drain, India's new brain *gain* has created new Indian business ventures as well as American ones. The Indian government has now liberalized its policies on foreign direct investment in India in pharmaceuticals, airports, transportation systems, hotels, tourism, telecommunications, and banking.

Indian remittances may help to liberalize regulations on charitable giving as well. In an effort to keep the generous overseas Indian donations flowing to India, a government commission has recommended changes in cumbersome laws: Indian charities, for instance, should no longer have to file a registration for each separate donation they receive, instead receiving ongoing donations automatically; and there should be exemptions from customs duties on all donations, whether in-kind or cash.

—*Alan Fairbank*

The Methodology

*T*he Index of Global Philanthropy *is the only publication to provide a comprehensive tabulation of U.S. international private giving. There are, indeed, several other sound surveys on American private giving abroad, but they do not include all the categories that we have measured in the* Index.

Giving USA, *the premier publication on U.S. domestic philanthropy, also conducted a small international survey, which includes only foundations and private and voluntary organizations, and excludes corporations, religious organizations, and universities and colleges.*[1]

The Urban Institute has recently started research on the international non-profit sector and is examining IRS records for foundations and private and voluntary organizations.[2] *This methodology will be very helpful in measuring these private giving categories, (we did not use any of the Urban Institute's data for this Index since the data were for 2003, not 2004). But the Urban Institute is not collecting data on giving by corporations or churches either. Moreover, it includes only organizations that have a primary focus on international activities. That means that large organizations that sponsor major domestic and international programs—like the American Red Cross—are not included.*

The United States Agency for International Development (USAID) has used numbers from the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) as estimates for private giving. Each year, the figures are sent to the Organisation of Economic Cooperation and Development (OECD) and appear as "Grants from NGOs," in its annual publication.[3] *As USAID explains, however, these numbers are also incomplete. The BEA survey of non-profit organizations is entirely voluntary. Corporate and religious giving through churches is not surveyed at all, and BEA excludes any organization that gives less than $25,000 abroad. USAID has issued two explanations of these data limitations.*[4] *One of these, a July 2005 memorandum, is included at the end of this section.*

Through a variety of methods, including the extrapolation of available data, surveys of organizations, and the close examination of organizations' annual reports, citizenship reports, websites, and IRS 990 forms, the Hudson Institute's Center for Global Prosperity measured the U.S. private sector's cash and in-kind contributions to developing countries in 2004. Developing countries were defined by the OECD report as "Part I" countries.

Measuring International Giving by Foundations

In 2004, the Foundation Center, a leading authority on philanthropy that collects and examines information on American giving, published *International Grantmaking III: An Update on U.S. Foundation Trends*. This extensive report includes a comprehensive analysis of overseas giving by U.S. foundations which file 990 forms with the IRS every year to report on their grants. *International Grantmaking* describes its methodology for calculating total foundation giving, as well as trends among the top funders, the geographic distribution of giving, types of activities supported, and other related topics.

The next report in this series on international grantmaking will not be published until September 2006. But the Foundation Center published a *Preview of Foundation Giving Trends* in March 2006, which included an estimate of international giving for a sample of 1,172 of the larger foundations. The Foundation center estimates that these 1,172 foundations gave $2.8 billion in international grants in 2004.

Previous Foundation Center reports have found that the level of giving from the sample of larger foundations represents about two thirds of total estimated foundation giving overseas. As an interim step and while awaiting the September 2006 publication, we made a conservative estimate that the $2.8 billion represents 75 percent of total international giving by foundations. Guided by this assumption, we calculated that the total amount of overseas giving by U.S. foundations that filed 990 forms for 2004 came to $3.7 billion.

The Foundation Center sample does not include public foundations like the U.S. Fund for UNICEF, the Wallace Global Fund, and the Better World Fund. The international giving of these three public foundations in 2004 was $276 million. We added this amount to the $3.7 billion stated above, resulting in $3.976 billion.

To make sure that foundation grants to U.S. PVOs that are registered with USAID were not counted twice, we carefully reviewed the 990 forms that were filed by the twenty foundations that did the most overseas giving. These data were supplemented by contacting individual foundations by phone, searching their websites, and reviewing annual reports to determine amounts given to individual organizations. These grants totaled $586 million—which we subtracted from $3.976 billion, the total estimated foundation giving for 2004. The remainder is $3.39 billion.

We further reduced the estimate by $40 million, the amount awarded by two foundations exclusively to Israel, a "Part II country" as defined by the OECD. After reducing the $3.39 billion estimate by $40 million, we were left with $3.35 billion in estimated foundation giving in 2004 to developing countries. This number was rounded to $3.4 billion and serves as our number for international giving by U.S. foundations in the *Index*.

Measuring International Giving by Corporations

The data available on corporate giving abroad are not comprehensive. One source of 2004 data is the *2005 Corporate Contributions Report* of the Conference Board, a non-profit business-research organization, which surveyed philanthropic giving by 189 corporations, of which only 88 reported their overseas giving. The result of this survey was $1.45 billion, a fraction of what individual industries have reported.

While useful trends can be seen in the Conference Board survey, given the small number of corporations that have completed it over the years, the amount of international corporate giving is obviously vastly underestimated. Therefore, we did not use this survey for our calculations. Instead we used other available reports by industry associations and companies to derive our own international corporate giving numbers.

First, we used a more thorough survey on pharmaceutical company product donations. This report is produced by the Partnership for Quality Medical Donations (PQMD) a non-profit membership association dedicated to raising the standards for medical product donations worldwide. The pharmaceutical industry is the largest international donor in the industry sector, so the PQMD report provides the basis for a more accurate corporate giving number.[5] We also collected data on pharmaceutical cash contributions from company brochures, annual reports, personal inquiries to company represenatives, and a separate publication on international pharmaceutical company programs.[6]

While the PQMD report lists a total of $3.2 billion for pharmaceutical in-kind contributions, this number includes cash contributions of $125 million, and donations from one European company estimated at $224 million, the sum of which is $349 million. We subtracted this $349 million from the PQMD-reported contributions of $3.2 billion, resulting in $2.851 billion. This was done to ensure that only in-kind contributions from U.S. companies are included in this number.

To this in-kind contribution of $2.85 billion, we added 10 percent for transportation; 18 percent for taxes, duties, and tariffs; and 15 percent for in-country storage, transport, and distribution—all paid by corporations on their donated goods—for a total in-kind contribution of $4.08 billion.[7] These costs are conservative estimates. The International Dispensary Association (IDA) in Copenhagen, which handles substantial procurements for the World Bank, WHO, USAID, and UNICEF, places a 9 percent handling fee on all orders—before international transport charges to ports of entry. The PQMD-donated products are valued at wholesale rather than retail prices. This is an important consideration since some countries continue to apply duties, tariffs and taxes on donated products at their retail values.

We added pharmaceutical cash contributions abroad of $142 million, which we obtained through researching companies' annual reports, corporate citizenship reports, corporate foundations' 990 forms, and by contacting companies directly and receiving written documentation of contributions to developing nations. This resulted in a total pharmaceutical contribution, including both cash and in-kind, of $4.22 billion.

We then calculated non-pharmaceutical cash and in-kind contributions from 37 corporations at $710 million. Again, we obtained this number by researching companies' annual reports, corporate citizenship reports, and corporate foundations' 990 forms, and by calling and e-mailing corporations to confirm the value of their contributions abroad.

Overseas philanthropy from corporations and religious organizations is probably the most poorly documented of all private giving sectors. We believe we are excluding a large amount of funding since we are only capturing 37 companies outside the pharmaceutical sector. While we have a more representative number for the universe of pharmaceutical companies because their in-kind donations are tracked well, the total amount provided overseas is still not captured completely.

Corporate International Private Giving, 2004 (in billions of $)

Pharmaceutical and Medical Supply In-Kind Donations	2.85
+ 10% transport, insurance, and handling charges	0.29
+ 18% duties, taxes, and tariffs	0.51
+ 15% storage, distribution, in-country transport	0.43
Sub-total	4.08
Pharmaceutical Cash Contributions	0.14
Other Corporate Cash and In-Kind Contributions	0.71
Total	**$ 4.93**

Measuring International Giving of Private Voluntary Organizations (PVOs)

The Hudson estimate of U.S. PVO giving abroad is based on financial reports from 503 U.S.-based PVOs that have voluntarily registered with USAID. Once a year, each of these organizations completes a standardized USAID survey of revenues and expenses. Dimensions International, the USAID contractor that maintains the USAID registry of PVOs, has developed a methodology to determine the level of private overseas giving based on these survey data. Private overseas giving includes PVO fundraising from non-government sources, such as individuals, corporations, and foundations.

Hudson applied the Dimensions International methodology to the aggregated financial data for the 503 PVOs registered with USAID for FY 2004. Hudson's calculations are based on the last row of numbers that appear on page 154 of the 2006 USAID *Report on Voluntary Agencies* (VolAg). That last row is titled "Grand Total" and shows the totals for each category of financial data reported by all the PVOs. In brief, the VolAg data show that PVOs receive funding from USAID, other U.S. government agencies, other governments, and international agencies. They also receive money from private sources. PVOs use the funds from these sources to implement their programs overseas and domestically. They also use their funds to pay for their administration and fundraising expenses. Our calculations are based on program expenses only and did not count any of the funds in these last two categories.

The objective of our analysis is to determine the amount of PVO spending on overseas programs that is funded by private sources. The questionnaire that USAID sends to the PVOs does not ask for this specific amount. Therefore, it is necessary to use a formula that will approximate the amount of private support that PVOs use for their overseas programs.

The Dimensions International methodology has three steps:

Step one: Determine the amount of total overseas expenses by the PVOs that were not funded by USAID. We calculated total USAID support ($2,629,194,395). We subtracted total USAID support from total overseas program expenses ($10,917,284,034). ($10, 917,284,034 - $2,629,194,395 = $8,288,089,639.) This remainder is the amount of PVO overseas spending that was funded by private and other (non-USAID) government sources. In other words, the remainder is the total non-USAID overseas spending by PVOs.

Step two: Find the percentage of total non-USAID overseas spending that was private. We calculated the total other (non-USAID) government support by adding the three columns under "other support," which includes support from U.S. government sources and other government and international organizations ($2,421,912,277). We calculated the total private support by getting the sum of the three columns under "private support" ($14,935,403,727). We added these two amounts—total non-USAID governmental support and total private support—to get total non-USAID support ($17,357,316,004). We divided total private support ($14,935,403,727) by the total non-USAID support ($17,357,316,004). This gave us the percentage of all non-USAID support that is private: 86.05 percent.

Step three: Find out how much of the non-USAID overseas expenses are private. We multiplied the percentage of non-USAID funding that is private by total non-USAID overseas expenses (0.8605 x $8,288,089,639). The result is the dollar amount of PVO privately funded overseas expenses: $7,131,900,500.

From the USAID data and the Dimensions International methodology, we found that for fiscal year 2004, PVOs gave $7.1 billion in private assistance to the developing world. This measure includes both cash and in-kind donations such as food supplies, blankets, and medicines.[8]

We subtracted $1.4 billion from this number to eliminate double-counting of pharmaceutical company in-kind donations, which are previously reported in "International Giving by Corporations" in this methodology section. Thus, total giving by PVOs from their private funding sources is estimated at $5.7 billion in 2004.

Hudson believes that the $5.7 billion is an underestimate of total PVO giving to the developing world because many PVOs are not registered with USAID. A recently published study by the Urban Institute provides evidence to support this conclusion. Using the National Center for Charitable Statistics/GuideStar National Nonprofit Database of IRS 990 forms filed by public charities in 2003, the Urban Institute has conducted an analysis of the international nonprofit sector.[9] This study, *The International*

Charitable Nonprofit Subsector in the United States: International Understanding, International Development and Assistance and International Affairs, found that in FY 2003 there were 5,600 organizations in the international non-profit sector.

Collectively, the 5,600 organizations took in revenues of $17.7 billion and reported expenditures of $17.2 billion, reflecting that this sector virtually breaks even.[10] The international expenditures ranged from 83 percent for international affairs organizations, to 85 percent for entities promoting international understanding, to 90 percent for organizations engaged in international development.[11] More than 4,000 of the 5,600 organizations indicated that their mission was international development and assistance, and revenues of this group were $15.7 billion.[12] About 20 percent of the revenues reported by the development and assistance group were from government sources.[13]

We used the Urban Institute study as a reference point for assessing the validity of our estimate of PVO giving abroad. So, we subtracted $3.1 billion, the value of the government support to this group (i.e., 20 percent of $15. 7 billion) from $15.7 billion to find the amount of private revenue collected by the 4,000 groups that are primarily involved in international development and assistance. The result was $12.6 billion.

To determine the total international expenditures, the number comparable to the one reported for the 503 USAID-registered PVOs and foundations, we took 90 percent of the $12.6 billion, which is $11.3 billion. The comparable Hudson *Index* number for this $11.3 billion is $9.1 billion, the sum of our foundation giving amount ($3.4 billion) and the amount given through PVOs ($5.7 billion). The higher Urban Institute number validates our belief that our foundation and PVO numbers are underestimated.

Furthermore, the Urban Institute number is low because it does not reflect international giving by all U.S. organizations. Many foundations give directly overseas, and U.S.-based organizations that are not *primarily* internationally oriented, such as the American Red Cross, are not included in the study. Corporate giving and church giving are also not included.

Since the Urban Institute study is based on FY 2003 data and was released very close to our publication deadline, we were not able to take full advantage of the findings in our analysis. The Urban Institute's continuing efforts to study this group of donors will be a valuable resource for us and for others interested in measuring international private giving.

Measuring International Volunteer Time

The Independent Sector, a coalition of corporations, foundations, and private and voluntary organizations working to strengthen the U.S. non-profit sector, bases the value of volunteer time on the average hourly wage of all non-management, non-agricultural workers as determined by the Bureau of Labor Statistics, with a 12 percent increase to estimate fringe benefits. The estimated value of a volunteer hour in calendar year 2004 was $17.55. The Independent Sector uses 1,700 hours as the basis for deriving the value of one year's worth of volunteer time. We multiplied the hourly wage $17.55 by 1,700 hours to obtain the value of one full-time-equivalent worker. This amount is $17.55 x 1,700 = $29,835.[14]

To calculate the total value of volunteer time by U.S. citizens, we multiplied the value of one full-time-equivalent salary ($29,835) by the Independent Sector's 1998 estimate (the most recent estimate) of the volunteer time donated, equivalent to 9 million full-time workers.[15]

To derive the total value of volunteer time in 2004, we multiplied $29,835 by 9 million full-time workers, to get a total of $268.56 billion. The 1998 Independent Sector survey also shows that 1.5 percent of total volunteer time was given to overseas projects. We multiplied $268.5 billion by .015, with the result that an estimated $4 billion in volunteer time was donated overseas.[16]

Measuring International Giving by Universities and Colleges

Hudson is using $1.7 billion, the USAID estimate of the amount of private scholarships and financial support that universities and colleges provide to students and scholars from the developing world. USAID derives its estimate by building on the data compiled by the Bureau of Economic Analysis in the Department of Commerce (BEA). From an analysis of the balance of payments information listed as "educational transfers," the BEA calculates a total amount of giving in this category. USAID then applies a formula it has developed over many years to the BEA number. The formula is based on the historical data published by the International Institute of Education on the originating countries of all US foreign students and scholars. This formula allows USAID to determine the breakdown of the amount of scholarships and financial support for foreigners from "Part I" and "Part II" countries.

Measuring International Giving by Religious Organizations

U.S. religious organizations are the only non-profits not obligated to report to the IRS—which makes obtaining annual data for their international activities more challenging. Religious organizations themselves do not routinely collect and keep such records. To obtain the numbers reported in the *Index*, we surveyed organizations by e-mail and phone, closely examined annual reports and websites, consulted published information on file at the Foundation Center in Washington, D. C., and conducted a site visit to one of the religious organizations.

One publication that had recent information was *The State of Church Giving through 2003* by the Empty Tomb of Champaign, Illinois.[17] Although the report listed giving from 28 different denominations, there was no adequate description of its methodology. More important, almost all of its financial reporting consisted of projections extrapolated from 1968 data. Since the report itself mentioned that several of the denominations in 1968 had merged with those listed for 2003, and there was no mention of the data having been adjusted for inflation or constant dollar accounting, we decided not to use this data—with one exception: Empty Tomb's international reporting for the United Methodist Church for 2003 listed the actual, not extrapolated, data.

Nonetheless, the report was useful in the identification of various religious congregations in the United States, leading us to specific searches. Information for the amount and types of international programs run by Mission Without Borders was extracted from its 2004 annual report. The giving number for the Presbyterian Church was obtained from Patrick Cole, associate for communications with the Worldwide Ministries Division of the Presbyterian Church of the United States of America. He provided Hudson with a list of all countries receiving donations through the Worldwide Ministries Division, as well as the amounts. Hudson then added up the "Part I" (developing) countries to reach the total of $9 million for 2004. Dr. Carol Adelman of the Hudson Institute met with leaders from the Church of Jesus Christ of Latter-day Saints in Salt Lake City on February 14, 2006, from whom she obtained reports on the amount of Mormon cash and in-kind overseas giving for 2004.

The number for 800 Protestant missions was obtained from a survey of 800 overseas missions listed in the *Mission Handbook*, published by the Billy Graham Center in 2004.[14] The number of $3.75 billion has not been updated since 2001. It will be updated in a new survey that is underway, but is not yet available.

The number used for the Catholic Church was obtained from Frank Butler, president of Foundations and Donors Interested in Catholic Activities (FADICA). FADICA compiles donation amounts from various Catholic churches and affiliated organizations.

Measuring Individual Remittances

Remittances by migrants and immigrants to their home countries comprise a significant portion of total international financial flows.[19] While there is evidence that the flows of such remittances have been growing rapidly in recent years, there are competing and conflicting estimates of levels and trends. Most estimates of remittances—those published by the World Bank and OECD—are based on official statistics from the *Balance of Payments Statistics Yearbook* produced by the International Monetary Fund (IMF).[20] These official numbers are probably understated, not just because some countries just do not report these data, or because some provide incomplete data,[21] but also because it is very difficult for them to quantify remittance activities—even in countries where financial statistics may be well-developed.[22]

The interest in this subject, however, has generated a large number of estimates that are based both on reports of the central banks of major recipient countries, and on independent surveys conducted of remittance senders, and remittance receivers in the countries that receive the largest amounts of remittances, according to the estimates available. The Inter-American Development Bank (IDB) has made estimates based on contracted surveys done in 2004 that have generally provided higher estimates than reported in official statistics.[23] The approach and methods used here, which generally follow those used by the IDB, are summarized below. Before that summary, we describe how workers' remittances are calculated in the yearly Balance of Payments (BoP) reports by the IMF, and we also describe the estimating procedure used by the Bureau of Economic Analysis in the Department of Commerce that is the basis of the data on remittances from (and to) the U.S. that it reports to the IMF.

In the IMF's BoP classification, the total of remittances is considered to be the sum of three particular entries in each country's BoP report: (1) remittances from those working abroad more than one year,[24] (2) remittances from those working abroad less than one year, [25] (3) remittances brought home when workers return from abroad.[26] As already noted, the reported data in these three entries are generally unreliable for specific countries and for regional aggregates as well as for the total. Misreporting (or no reporting) of remittances leads either to undercounting or overcounting (the former most likely dominating the latter) the amounts received.

The BEA has recently refined its model[27] for estimating transfers by the foreign-born population in the U.S. to households abroad. This model includes four variables:

- Estimates of foreign-born populations living and working in the U.S.;
- Estimates of the percentage of those populations that remits money to the home country;
- Estimates of the average incomes of foreign-born populations;
- Estimates of the percentage of that income that is remitted.

These four variables are essentially multiplied, for disaggregated demographic groups, to arrive at the total amounts estimated to have been remitted by year. The estimates are based on the annual American Community Survey and the 2000 Census of Population, as well as on studies revealing relevant demographic factors (family size, number of children, age of children in the household, etc.) that bear on whether and how much would or could be remitted. Using this method, the BEA estimates an aggregate amount of personal transfers to all countries from all the foreign-born living in the U.S. as a total of $29.9 billion in 2004. This does not include transfers from persons who have been living in the U.S. for less than one year, who are considered in the IMF BoP methodology as foreign residents whose remittances are counted as "compensation of employees." When estimates of this figure, and of the "migrant transfers" from those working in the U.S. for longer than one year, are included, the BoP estimate for outflows of workers' remittances from the U.S. is $38.8 billion.[28]

Potential errors in the BEA model may be generated by the degree of illegal immigration that has occurred over the past decade (even though the American Community Survey showed, in its annual counts of foreign-born for 2001-2003, that the growth of the foreign-born population had slowed during that period when compared with growth over the prior decade).[29] Moreover, in addition to possibly under-representing the illegal immigrants among the foreign-born, the survey may also be subject to underreporting of income by respondents, especially if much of their income was received in cash in order to minimize tax exposure. And while some cash remittances are hand-carried in order to avoid high transfer fees (which still would be theoretically included in the above estimate), some portion of remittances are likely transferred in the form of goods taken home while traveling there to visit (which may not be counted).

High transfer fees surely provide a strong incentive for migrants to send remittances through informal channels or to transfer them as goods, making them very difficult to quantify. Continued use of the age-old system known as *hawala*,[30] is likely the result of high fees charged by transfer companies and international banks. It may be that the apparent large (measured) recent increases in cash remittances, particularly to Central and South America, are due to recent substantial decreases in transfer fees (now down to around 7 percent) and increased regulatory scrutiny since September 11, 2001. Costs from fees and dual exchange rates vary greatly from region to region. Transfers to Africa are particularly inhibited by high transfer fees, causing as many as 80 percent of migrants to use predominantly informal channels.

The World Bank estimates that the total flows through the informal sector to developing countries are, on average, at least 50 percent of what they are in the formal sector.[31] This corresponds with other estimates that informal flows of remittances might be as much as one third of the total—or more.

While the IMF's *BoP Yearbook* does give breakdowns by country, outflow destinations, and inflow sources, there are many gaps in country-specific inflow and outflow data for the three line items that account for "remittances," thus making it difficult to develop country-specific totals in each direction, as well as the net flow. Thus, the World Bank, OECD, and BEA estimates of remittances from the U.S. include outflows to, and inflows from, all countries—developed as well as developing countries, and perhaps undercount the level of remittances.

To arrive at an independent estimate, the *Index* began by seeking the most recent estimates of those particular countries and regions that receive the most remittances. Some indication of this list of countries was provided in the 2004 Development Cooperation Report, which also reported an estimate of workers' remittances in 2000 to all developing countries of $21.8 billion.[32] The list, in order of magnitude of remittances, is: Mexico, Central America and the Caribbean (besides Mexico), the Philippines, and India.

Because of its proximity, the U.S. is likely to be the predominant source of remittances to Latin America and the Caribbean. Thus all of South America should be considered an important destination of remittances since migrants from those countries are a majority of the foreign-born in America. A primary source of data on these countries for 2004 was a state-by-state survey of remittance senders,[33] as well as a study of remittances to the Caribbean by Inter-American Dialogue and the World Bank.[34]

Estimates for remittances to India and to the Philippines were obtained from surveys done in those countries and/or by reports of the central banks of those countries. While the Indian and Filipino communities (which may be approaching 2 million each) are not as heavily represented as Latin Americans, they tend to have higher levels of education and technical skills, and are thus likely to have higher incomes and therefore remit higher amounts to their home countries.

To obtain the $1 billion of remittances in the "other" category, we estimated the number of "other" foreign born to be 575,000.[35] We then estimated an average remittance amount of $1,800 per year from those migrants from developing countries for whom we had data for 2004. For the $1 billion total "other" category, we multiplied 575,000 "other" foreign-born by $1,800 annual remittances.

Limitations of U.S. Government Estimates on Private Giving

Memorandum prepared by William McCormick, USAID, Bureau for Policy and Program Coordination, Washington, D.C., sent via e-mail in July 2005:

• The importance of private flows for sustained growth in developing countries was recognized in the Monterrey Consensus and is reflected in statistics of the Development Assistance Committee (DAC) of the OECD by the fact that as much as 70 percent of resource flows to the developing world in recent years came from private sources. U.S. private assistance contributed significantly to this surge.

• The international community has also come to recognize the magnitude (second only to FDI) and stability of personal remittances in providing resources directly to those in need, but DAC statistics currently do not capture these additional private resource flows.

• U.S. private giving and remittance data, collected by the U.S. Bureau of Economic Analysis (BEA) and submitted to the DAC, indicate that $38.5 billion in private assistance flowed from the United States in CY2003—$10.6 billion in private giving and $27.9 billion in personal remittances—by far the largest flows from any donor country.

• The above data, however, are incomplete because they are based primarily on a voluntary survey, one that private organizations are not required to complete, and the survey excludes key categories of U.S. private giving, namely individual church giving, corporations, and the valuation of volunteerism abroad.

• Independent analysis by the Hudson Institute, that uses some USAID methodologies, indicates that BEA statistics significantly understate total U.S. private assistance. Based on documented sources and methodology, the Hudson Institute* estimates private assistance was at least $62.1 billion in CY2003 with the following breakout:

Foundations	$3.3 billion
Corporations	2.7
Non-Profits and Volunteerism	6.2
Universities and Colleges	2.3
Religious Organizations	7.5
Individual Remittances	40.1
U.S. Private Assistance in CY2003	62.1

* Even allowing for any computational problems with this alternative measurement, U.S. private assistance may be 50-100 percent higher than BEA estimates.

Endnotes, The Methodology, pp. 71-79:

[1] Melissa Brown, ed., *Giving USA 2004*. Giving USA Foundation, 2004, p. 171.

[2] *The International Charitable Nonprofit Subsector in the United States: International Understanding, International Development and Assistance and International Affairs*. The Urban Institute, January 2006.

[3]Richard Manning, *Development and Co-operation Report 2005*. OECD, Vol. 7, No. 1, 2006.

[4] William McCormick, "Private Flows in U.S. DAC Statistics and Personal Remittances: Sources, Definitions, and Method of Incorporation." USAID, PPC, DCO, Washington, D.C., January 17, 2005.

[5] Several pharmaceutical companies have been active participants in the United Nations Accelerated Access Initiative (UN/AAI) since 1999. These companies donate or sell heavily discounted antiretroviral drugs to low- and middle-income countries. At the end of 2004, about 300,000 AIDS patients around the world were receiving their medications through this program, a figure that rose to 427,000 in March 2005. Although these may be reported through the PQMD, this does not hold true in all cases, particularly for drugs sent to moderate-income countries that were discounted but not donated. We excluded all UN/AAI donations from corporate contributions to avoid double counting, thus our total value of $4.1 billion is an underestimate.

[6] "Global Partnerships: Humanitarian Programs of the Pharmaceutical Industry in Developing Nations," PhRMA, March 2003, pp. 1-20.

[7] *Untangling the Web of Price Reductions: A Price Guide for the Purchase of ARVs for Developing Countries*, Médecins Sans Frontières, February 2005. A 10 percent transport charge is applied throughout its pricing tables. The prices listed are the selling prices, and do not account for the additional taxes and duties, storage, in-country transport, and distribution mark-ups through middlemen. The European Commission has estimated an average of 18 percent for duties, taxes, and tariffs. See "Working document on developing countries' duties and taxes on essential medicines used in the treatment of the major communicable diseases," European Commission Directorate-General for Trade, March 10, 2003, p. 6, online at http://europa.eu.int/comm/trade/issues/global/medecine/docs/wtosub_100303.pdf.

WHO researchers conducted a study on the hidden costs of drugs in nine developing countries and concluded that these countries increase the cost of medicines, on average, by 69 percent (see Libby Levinson and Laing, "The hidden costs of essential medicines," *Essential Drugs Monitor*, WHO, No. 33, 2003, pp. 20-21. Available online at: http://mednet2.who.int/edmonitor/33/edm33_en.pdf.

Pharmaceutical industry sources estimate that once a product clears customs, an additional 15 percent is added to the price for in-country transport, storage, insurance, wastage and damaged goods, distribution to facilities and supply chain management, and pharmacists' costs.

[8] *2006 VOLAG Report of Voluntary Agencies*, USAID, February 2006. (There are 503 U.S. PVOs registered with USAID and listed in the VOLAG report, p. 4. Statistics pertain to FY 2004.)

[9] *The International Charitable Nonprofit Subsector in the United States*, op.cit., p.7.

[10] Ibid. p.14.

[11] Ibid. p. 16.

[12] Ibid. p.8.

[13] Ibid. p.13.

[14] *The New Nonprofit Almanac In Brief*. Independent Sector, 2001, p. 15.

[15] *Giving and Volunteering in the United States 2001*. Independent Sector, p. 1.

[16] *The New Nonprofit Almanac In Brief*, op. cit., p. 15.

[17] John and Sylvania Ronsvalle, *The State of Church Giving through 2003*, Empty Tomb, Inc., October 2005, p. 61.

[18] Minnette Northcutt and Dotsey Welliver, *Mission Handbook 2004-2006*; EMIS 2004, Wheaton, Illinois; and e-mail communication from Dr. Kenneth Gill, associate director, Billy Graham Center, February 9, 2006 to Samantha Grayson, Hudson Institute.

[19] The World Bank estimated that $160.4 billion in workers' remittances were received by developing countries from all sources in 2004, out of a worldwide total of $225.8 billion to all countries. See *Global Economic Prospects: Economic Implications of Remittances and Migration 2006*, World Bank, Washington, D.C., 2006, Table 4.1, "Workers' remittances to developing countries, 1990-2005," p. 88.

[20] *Balance of Payments Statistics Yearbook*, International Monetary Fund, Washington, D.C., 2005, which gives data for 2004. These details are outlined in Annex 2.1 of the *OECD Journal of Development*,

Development Co-operation Report, 2004, pp. 50-53.

[21] As pointed out in "Remittances: International Payments by Migrants," Congressional Budget Office, Washington, D.C., May 2005, pp. 12-13: "About a quarter of the inflows of remittances reported in 1980 went to countries that did not report remittances in 2002, and about a quarter reporting in 2002 did not do so in 1980. Moreover, many countries, accounting for 20 percent of the world's population, did not report remittances in either 1980 or 2002, or reported zero remittances—probably indicating, in the latter case, that they did not collect (or estimate) the data."

[22] Measurement of remittances is the subject of an effort by the U.N. Statistical Commission (*Report of the Task Force on Statistics of International Trade in Services*) to assess the problems and to help countries improve the data on inflows and outflows. See: http://unstats.un.org/unsd/statcom/commission.htm.

[23] The World Bank's estimate of U.S. remittances to all countries in 2004 is $39 billion, as compared to our estimate to developing countries of $47 billion. The difference is partly due to underreporting in the IMF BoP statistics, and partly due to our reliance on IDB and other estimates (as referenced) based on surveys and other non-IMF sources.

[24] "Workers remittances" (code 2391 in the "current transfers" account) refers to personal transfers from those working abroad more than one year.

[25] "Compensation of employees" (code 2310 in the "income" account) refers to remitted wages from those working abroad for less than one year.

[26] "Migrant transfers" (code 2341 in the "capital" account) refers to repatriated savings of workers returning home after working abroad.

[27] For a detailed description of this model, see C. L. Bach, "Annual Revision of the U.S. International Accounts, 1991-2004," *Survey of Current Business*, July 2005, pp. 54-67, published at: http://www.bea.gov/bea/mp_international.htm.

[28] *Global Economic Prospects 2006:* op.cit. The remittance data in this report are largely based on IMF BoP data. The country-specific data, including this estimate for U.S. remittances, as compiled by the World Bank, were sent to us by William McCormick, USAID/PPC on March 10, 2006. The U.S. data were reported to the IMF by the BEA.

[29] C. L. Bach, op. cit., p. 66.

[30] *Hawala* is an informal channel for transferring funds from one location to another through service providers—known as *hawaladars*—regardless of the nature of the transaction or the countries involved. It originally evolved many centuries ago to facilitate trade and to provide an alternative to traders carrying gold or cash, and is mentioned in ancient texts of Islamic law. The *hawala* system is largely based on trust, is completely unregulated, and the fees are generally low. It is used primarily in the Middle East, Africa, and Asia. For a detailed description, see, M. El-Qorchi, *The Hawala System*, IMF, 2002, at http://gdrc.org/icm/hawala.html, or "The hawala alternative remittance system and its role in money laundering," at http://www.interpol.int/Public/FinancialCrime?MoneyLaundering/hawala/default.asp.

[31] *Global Economic Prospects*: op. cit., p. 92.

[32] *Development Co-operation Report 2004*, OECD, Vol. 6, No. 1, Table 2.A, "Estimated remittance flows by source and destination in 2000," p. 50. Data source for the estimates was noted as IMF and the OECD Roundtable on Sustainable Development.

[33] *State-by-State Survey of Remittance Senders: U.S. to Latin America*, Bendixen & Associates, 2004.

[34] M. Lapointe, "Diasporas in Caribbean Development," Inter-American Dialogue and the World Bank, Washington, D.C., August, 2004.

[35] S. A. Camarota, "The Economy Slowed, but Immigration Didn't: The Foreign-Born Population, 2000-2004," Center for Immigration Studies, 2004.

Ibid. "Immigrants at Mid-Decade: A Snapshot of America's Foreign-Born Population in 2005," op. cit., 2005.

We derived the number of foreign-born from developing countries living in the U.S. in 2004 from the above two studies, which showed 34 million immigrants in the U.S. in 2004. The 2004 report did not allow us to isolate the immigrants from developing countries, so we got this number from the 2005 report, applying the 2005 distributions to 2004 numbers, resulting in an estimated 26 million immigrants from developing countries. The number of "other" foreign-born is the difference between the 26 million and 25,425,000, the number of foreign-born for which we could find survey data on remittances.

Acronyms

ACHAP	African Comprehensive HIV/AIDS Partnership
ACHPS	Africa Centre for Health and Population Studies
AFH	Architecture for Humanity
AGFUND	Arab Gulf Programme for United Nations Development Organizations
ARV	antiretroviral
BEA	Bureau of Economic Analysis, U.S. Department of Commerce
BoP	Balance of Payments
CECP	Committee to Encourage Corporate Philanthropy
DAC	Development Assistance Committee of the OECD
DCO	Office of Donor Coordination and Outreach, USAID
DESCO	Dhaka Electric Supply Company
FDI	foreign direct investment
GDA	Global Development Alliance, USAID
GNI	gross national income
HTA	Hometown Association
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IRS	Internal Revenue Service
KCDF	Kenya Community Development Foundation
MFI	microfinance institution
NGO	non-governmental organization
ODA	official development assistance
OECD	Organisation of Economic Co-operation and Development
PPC	Bureau for Policy and Program Coordination, USAID
PQMD	Partnership for Quality Medical Donations
PVOs	private and voluntary organizations
SAILD	Service d'Appui aux Initiatives Locales de Développement
SMUD	Sacramento Municipal Utilities District
U.N.	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
WHO	World Health Organization

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