

# The Index of Global Philanthropy 2008





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PROSPERITY

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# The Index of Global Philanthropy 2008

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*"Philanthropy shouldn't be defined as a bunch of rich people writing big checks. Small amounts of money given by large numbers of individuals can be combined to do great things."*

—JEAN CASE, CASE FOUNDATION

HUDSON INSTITUTE  
CENTER FOR GLOBAL PROSPERITY

The Center for Global Prosperity (CGP) provides a platform—through conferences, discussions, publications, and media appearances—to create awareness among U.S. and international opinion leaders, as well as the general public, about the central role of the private sector, both for-profit and not-for-profit, in the creation of economic growth and prosperity in the developing world.

The CGP's core product is the annual *Index of Global Philanthropy*, which details the sources and magnitude of private giving to the developing world. The *Index* reframes the discussion about the roles of the public and private sectors in foreign aid by showing that the full scale of a country's generosity is measured not just by government aid, but by private giving as well.

The CGP supports free societies, including capital markets, rule of law, government transparency, free trade and press, human rights, and private property—prerequisites for economic health and well-being.

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## DIRECTOR'S WELCOME



This year's *Index of Global Philanthropy* chronicles the remarkable new players in global philanthropy who found remarkably new ways to help the world's poor. The traditional "donor-to-recipient" model of foreign aid has been supplemented, if not supplanted, by public-private partnerships. The roles played by business, governments, charities, and workers sending back remittances have changed. It's an exciting time for philanthropy, as we spell out in our overview of global philanthropy on page 4.

Among the highlights in this, our third annual *Index*, are:

- Private giving and investment continue to grow, now accounting for over 75 percent of donor countries' entire economic dealings with developing nations;
- Government aid—official "foreign aid"—is a minority shareholder in the growth and development of poor countries;
- In the U.S., private philanthropy, along with remittances, to developing nations constitutes *four and one-half times* our official aid abroad; and, consequently,
- The savviest government aid agencies are rapidly changing their business model to leverage official aid with activities launched and run by private businesses, foundations, charities, religious groups, and universities.

The new form of helping has been dubbed "social entrepreneurship," "venture philanthropy," or "creative capitalism." By whatever name, it's a new business model. In our discussions of U.S. and other donor international giving, we show successful ventures by the Acumen Fund, Ashoka Fellows, Tools for Self Reliance, Merck, Intel, and the finest business schools, responding to local initiatives abroad with programs which demand transparency and accountability. They're thus more likely to have lasting results. We also feature official aid agencies partnering with Motorola, Novartis, the International Youth Foundation, Unite for Sight, and Rochester Institute of Technology on successful development projects.

Traditional philanthropies here and abroad—such as the Aga Khan and Kellogg foundations, Nepal Leprosy Trust, and Heifer International—continue their good

work, as discussed herein. But this year's *Index* features some new and unexpected players in the foundation world—including, fittingly, the famed Inter Milan Italian soccer team, which has provided soccer training, education and health care to over 12,000 children in 17 countries. The Western Union Foundation is helping migrants and their families back home with scholarships and humanitarian aid.

All four *Index* highlights follow the trends we detected in our previous two *Indexes*.

However, this *Index* breaks new ground by having commissioned the first nationwide survey of religious giving to help poor nations abroad. We document a phenomenal \$8.8 billion in disaster and development assistance abroad from religious congregations in the United States. These are wonderful stories to tell: a small Madison, Wisconsin church, Christ Presbyterian, partnering with World Vision to give the children in Rwanda educational opportunities. Or a sophisticated group, the National Christian Foundation, giving advice to local churches on how to make Sunday donations more effective in overseas programs.

Beyond the philanthropy of businesses, charities, foundations, and religious groups have sprung new ways of reducing poverty abroad. These include Fairtrade movements and cause-related marketing. Internet giving is skyrocketing, as e-philanthropy allows generous Americans, Europeans and Asians to provide fast, efficient, targeted, hands-on loans and grants to poor people overseas. Social networking sites like Facebook have entered the field. The I Do Foundation allows couples to select their wedding registry with vendors who will donate a percent of expenditures on gifts to charities of their choice.

These and more touching, amazing stories fill this *Index* with descriptions of successful philanthropy programs abroad, and fill our hearts with hope of a more effective, sustainable way to help the world's poor end their dire plight.

DR. CAROL C. ADELMAN  
*Director, Center for Global Prosperity*  
*Hudson Institute*

An Apple store employee pushes a cart of (Product) Red iPod nanos, which went on sale October 2007. Apple donates \$10 from the sale of each of the red music players to the Global Fund to Fight AIDS.

## GLOBAL PHILANTHROPY

# Reinventing Assistance

Global philanthropy is becoming a truly worldwide phenomenon. Over the last two decades, the United States and Europe have led the dramatic growth in philanthropy and remittances to developing countries. In the U.S., twenty-one donors gave \$100 million or more in 2006, according to the *Chronicle of Philanthropy*. To be on the Top 50 list of donors in 2000, you had to give a minimum gift of \$16.8 million. Today, that takes \$38.4 million. The rise of new wealth in Britain has led to a surge in giving there as well, up 9 percent since 2005. London, now hailed as “Switzerland-on-Thames,” has seen a rise in younger entrepreneurs, hedge fund managers, and private investors donating to charities in record amounts or even creating their own foundations.

These philanthropists are now being joined by wealthy entrepreneurs in emerging economies such as Russia, China, Brazil and India. The emergence of philanthropists in developing economies is only beginning, but







Whatever it is called — social entrepreneurship, philanthro-capitalism, venture philanthropy, or the latest label by Bill Gates, creative capitalism — the lines between business and philanthropy continue to blur.

the precedents are impressive. The Tata family has long been a philanthropic beacon in India as has the Hariri family in Lebanon. Carlos Slim Helú in Mexico, Lee Kun Hee in Asia, Petr Kellner in the Czech Republic, Miloud Chaabi in Morocco, and Patrice Motsepe and Tokyo Sexwale in South Africa exemplify this new wave of philanthropists.

Local businesses in emerging countries are also creating formal philanthropic initiatives, both in their own countries and other developing country markets. AngloGold Ashanti in South Africa, Ayala Corporation in the Philippines, Eskom Holdings in Zambia, and Fundación Telefónica in Argentina have vibrant economic and social development programs. Community foundations continue to grow in developing countries as high net worth individuals along with an expanding middle class begin to fund home-grown philanthropy in some of the poorest countries around the world.

#### **SOCIAL ENTREPRENEURSHIP**

Whatever it is called—social entrepreneurship, philanthro-capitalism, venture philanthropy, or the latest label by Bill Gates, creative capitalism—the lines between business and philanthropy continue to blur. This trend in philanthropy has been dubbed the “double bottom line,” or making money and helping a charitable cause at the same time. The concept is not entirely new, as foundations such as Ford and MacArthur have used a financing tool called “program-related investing” or PRI. This is where a foundation either loans or invests in a project that has mainly a charitable purpose, such as a health clinic or housing in a low-income neighborhood. The money, loaned at below-market rates, is then paid back to the foundation. In the international arena, nonprofits have used the PRI tool to bring micro-credit to poor people throughout the world.

Jeffrey Skoll, former president of eBay, supports social entrepreneurship through the Skoll Foundation. He helped fund the nonprofit Kickstart, featured in our first annual *Index of Global Philanthropy* in 2006. Kickstart manufactures low-cost water irrigation equipment in East Africa and has increased agricultural production, created jobs and generated over \$66 million in new profits and wages each year from the businesses it has created. This year's *Index* features exciting examples of social entrepreneurship, including the Ashoka Fellows program and business ventures being

financed by the nonprofit Acumen fund as well as by new nonprofit ventures in business schools across America.

All over the globe, banks, investment firms, and food, pharmaceutical, and insurance companies are reinventing corporate social responsibility. Companies are allowing employees to volunteer for their favorite causes and are developing products that can be sold at low cost to new customers at the promising “bottom of the pyramid,” as C.K. Prahalad refers to the emerging markets in poor communities abroad. Businesses are turning more and more to cause-related marketing (CRM), where a company donates a percentage of its profits to charity. Lead U2 singer, Bono, started one of the most well-known campaigns, (Product) Red, which raises money for the Global Fund to Fight AIDS, Tuberculosis, and Malaria through sales from major U.S. companies such as Gap, Motorola, and Apple. (Product) Red says it has raised \$57 million since 2006, part of a total estimated \$1.5 billion per year raised by corporate CRM campaigns.

Even travel agencies have jumped on the bandwagon with philanthropic voyages to Africa and Asia, where vacationers go to game parks and stay in luxury hotels while also visiting charitable projects and sometimes doing volunteer community work for clinics and orphanages. Enterprising nonprofits are participating in these tours to take travelers to their own favorite projects, in the hope that they can raise money from these peripatetic philanthropists.

#### **TECHNOLOGY REVOLUTION**

The explosion of technology, through the Internet and mobile phones, is another important trend transforming global philanthropy. Bringing the problems and images of the developing world directly to computer screens in the developed world has raised awareness of the plight of the poor and inspired new giving from all income levels. The





A group of orphans at Hope Haven in Xianyang prepare to go out for a walk in newly donated winter clothes. Caring for China runs adoption services for children with disabilities.

Internet has lowered the cost, increased the speed, and improved the transparency of charitable donations. Global-Giving.org, one of the earliest and most successful Internet philanthropies, founded by former World Bank employee Dennis Whittle, charges a low 10 percent transaction cost to funnel donations to overseas projects. Kiva.org, the microfinance online lending philanthropy, asks donors for a voluntary 10 percent contribution to operating costs.

While e-philanthropy is not a new phenomenon, its sweeping scope is only now being fully understood. As social networking Web sites create a kind of viral diffusion through frequent and rapid communications among thousands of individuals, philanthropy is being democratized and attracting more and more donors. These “ordinary Oprahs” as Whittle calls them, can make small gifts directly to an individual or nonprofit thousands of miles away with the click of a mouse. See “E-Philanthropy: Charity Begins at Home, Online” on page 8 for a discussion of some of the newest online giving groups today.

Jean Case, who founded the Case Foundation with her husband, the former head of America Online, Steve Case, puts it best: “Philanthropy shouldn’t be defined as a bunch of rich people writing big checks. Small amounts of money given by large numbers of individuals can be combined to do great things.” Case was promoting America’s Giving Challenge, which the Case Foundation was launching in December 2007 along with *Parade Magazine*, Network for Good, and GlobalGiving. This contest had charities competing for the most number of innovative donations to win a \$50,000 grant. Hundreds of charities are listed on the Web site, ranging from help for AIDS patients to providing bed nets for preventing malaria, along with U.S. domestic

## E-Philanthropy: Charity Begins at Home, Online

Technological advances have transformed the way we live and now they are changing the way we give. Use of the Internet as a giving medium, for instance, is supplementing traditional methods of philanthropy, giving a new twist to the saying that charity begins at home—for the latest generation, it actually begins online.

The Web has brought philanthropy to the doorsteps of millions of young people around the globe. Social networking sites such as Facebook—the site that lets users open a home page to their friends and build communities—offer an appealing platform to younger donors to be part of a giving community. The Internet also gives donors ultimate control over where their philanthropic dollars are spent. Kiva, an online platform for making small loans, connects would-be lenders directly with entrepreneurs from developing countries around the globe who are seeking microfinance. Second Life, which consists of a virtual world populated by avatars of users who create a parallel life for themselves, goes one step further and enables nonprofits to hold virtual fundraisers that raise real money, or use it as a platform to educate people about their cause and their work.

According to the *Chronicle of Philanthropy*, online giving is booming. Online gifts made to 187 of some of the largest U.S. charities totaled \$1.2 billion in 2006. This is a 37 percent increase in Internet giving to the same nonprofits from 2005.<sup>1</sup>

With more than 64 million users worldwide,<sup>2</sup> many of whom are under the age of 25,<sup>3</sup> Facebook is a vast network of potential young philanthropists. This potential is already being tapped into. The “Causes” application on Facebook allows users to recruit their online friends to their favorite nonprofits or causes—or better still, actually raise funds. Similarly, nonprofits can create their own causes on the network, encouraging users to donate to the organ-

ization. This proves a cost-effective way to fundraise, cutting overheads to a minimum. By August 2007, five months after its launch, this one application had attracted more than 2.5 million Facebook users, raising more than \$300,000 for nonprofits or politicians.<sup>4</sup> Among the nonprofits with online profiles are recognizable names such as the Save Darfur Coalition, Habitat for Humanity and Amnesty International.

Facebook is not alone in this revolution. Other social networking sites, MySpace and Change.org, have similar initiatives.



Lenders finance Dora Agho's bead and cloth business online.

While relatively little money has been raised through these sites, their “viral”-like qualities make them an ideal platform for raising the profile of nonprofits. Additionally, this “armchair giving” can be done at a click of a mouse, while alerting the user's friends how much and to whom he or she has given.

Facebook's Causes was recently involved in the Causes Giving Challenge, held in conjunction with America's Giving Challenge, in a partnership with the Case Foundation, *Parade Magazine*, Network for Good and GlobalGiving. The purpose of the challenges was to highlight and promote the use of innovative technologies to facilitate charitable giving. The Case Foundation is giving \$750,000 to the charities that received the most individual online donations.

Part of the allure of giving online is the simplicity and transparency of the transactions. Kiva embodies both of these traits. Founded in 2005, the organization allows small businesses registered with local microfinance institutions to post profiles on its Web site. Lenders can browse through the profiles and choose an entrepreneur to invest in. As of February 2008, a total of \$21,694,710 was committed in 32,824 loans to businesses, with a repayment rate of 99.86 percent.<sup>5</sup>

Dora Agho, a 70-year-old Nigerian widow with seven children, owns one such business—Dora Beads and Cloths. The \$400 loan that she has received through a local microfinance institution, Lift Above Poverty Organization, will go to buy more beads and cloths to sell. Without Sissel from Oslo, Fred from Virginia and Anna from New York—three of Dora's 14 lenders—she might not have been able to get the loan. Local microfinance institutions are often low on funds.<sup>6</sup>

Like the social networking sites, Second Life, a virtual world, provides charities and other nonprofit organizations the opportunity to raise both funds and awareness while tapping into a previously elusive demographic. The MacArthur Foundation, for example, has given the University of Southern California's Center on Public Diplomacy a \$555,000 grant to hold events in Second Life, including virtual discussions on how foundations can address issues like migration, human rights and education.<sup>7</sup> Other U.S. charities are also participating in the virtual world. The American Cancer Society held a virtual Relay for Life which had raised over \$82,000 by November 2007.<sup>8</sup>

While the wider field of philanthropy has been revolutionized by the billions donated by the likes of Bill and Melinda Gates or Warren Buffett, the Internet is giving a billion other people the chance to give direct philanthropy a try from the comfort of their own home.

—DAVID JOHN BAKER

# As social networking Web sites create a kind of viral diffusion through frequent and rapid communications among thousands of individuals, philanthropy is being democratized and attracting more and more donors.

causes. While less than 400 charities with international causes were listed as compared to 1.5 million domestic organizations, an estimated 28 percent of total funds raised were for these international causes. The Case Foundation also joined with Facebook to create the Causes Giving Challenge, yet another online charitable giving opportunity.

Online giving can be characterized between 2000-2004 as a Cambrian explosion of ideas and experiments, with many failures. Now there is a group left standing, from some of the pioneers such as eBay auctions for nonprofits and GlobalGiving, to newer groups, some of which are identifying projects for online giving and others with links to philanthropy blogs and sites. These include Kiva, ModestNeeds, UniversalGiving, GiveMeaning, IDoFoundation, ChangeforGoodNetwork, FreeRice, Sixdegrees, DonorsChoose, Party4APurpose, Network forGood, iGive.com, DoSomething, OxfamUnwrapped, MicroPlace, Razoo, and Witness, a unique human rights online organization that posts videos of human rights crimes to expose violaters and hold them accountable.

Even the social networking sites are leveraging philanthropy. The e-philanthropy story (opposite) describes some of the most dynamic and fast-growing online social networking organizations, some of which are already producing a generation of young philanthropists — Second Life, Facebook, MySpace, and Change.Org. These sites are even breathing new life into traditional charities. The Salvation Army has a MySpace profile, and the American Cancer Society is featured on SecondLife. There is even a social networking site for Americans over age 50 called Eons, where volunteerism and social causes are among the leading topics. While the jury is still out on how effective these organizations will be in contributing to global philanthropy, the potential is clearly there.

Tom Watson, a founder of Changing Our World, Inc., a national philanthropic services company, talks about how these social networks, though still in their infancy, are encouraging new giving models and emotionally connecting and inspiring individuals to what he calls “everyday philanthropy.” Reflecting on past attention to the big gifts by philanthropists that made headlines, he notes: “The mega-gifts were counted—the small kindnesses slipped by.” The “Facebook Generation,” he predicts, through its circles of commitment, communication and connection, will allow individuals their moments of recognition and will link givers to causes in unprecedented ways and amounts.<sup>1</sup>

## ACCOUNTABILITY AND RESULTS

The new global philanthropy is coming at a time of increased scrutiny and criticism of traditional government foreign aid programs. There is widespread agreement that the government foreign aid mode—top-down, central planning—has failed. Development funds have generally been concentrated in the hands of a few large contractors with high overheads who are incentivized by lasting contracts, not by building lasting institutions and capabilities in poor countries. The HELP Commission, a bipartisan congressional commission to reform foreign aid, revealed that two all-purpose consulting firms in the Washington area received almost \$810 million out of USAID’s \$2.2 billion in contracts in FY 2005.<sup>2</sup> The share of USAID contracts awarded to the top five contractors rose from 33 percent in 1996 to 58 percent in 2005. See “A New Window Opens Up on Aid Efficiency” on page 11 for a discussion of the high transaction costs and inefficiencies of government aid.

In February 2007, the Canadian Senate Committee on Foreign Affairs and International Trade conducted a study of its foreign aid program to Africa and concluded that, after 40 years and over \$12 billion, its government aid program had failed to make a significant difference in Africa. The ineffectiveness and overly bureaucratic nature of the program was to blame, along with ineffective governments and leadership in African countries themselves. In January 2008, *The Wall Street Journal* exposed massive corruption in four World Bank health projects in India, complete with photos of hazardous laboratories and sewage flowing into hospitals. A World Bank evaluation unit found that eight out of every 10 dollars in one project were spent in





ORPER, a local NGO outside Kinshasa, Congo, brings children displaced by war or poverty to a summer camp where they can relax, eat three meals a day, and, here, go swimming and playing in the river.

“questionable procurement practices,” indicating fraud and corruption. Previous World Bank evaluations of these projects had overlooked the problems in some \$560 million worth of loans in India.

An account by one American woman who tried to work with a USAID contractor in Afghanistan tells it all. Sara Chayes, writing in the December 2007 issue of *Atlantic Monthly*, recounts how she started a cooperative with Afghan leadership that is now successfully selling scented soaps through high-end stores in major cities of the world. Her unsuccessful first attempt to get a small grant of \$50,000 from a USAID contractor that had been awarded a \$119 million contract in Afghanistan is not uncommon in government aid programs. USAID was paying the contractor some

\$500,000 for each employee stationed in Afghanistan. Instead, Chayes organized U.S. volunteers and got grants from private foundations and other donors, and the cooperative is now making ends meet and selling soap throughout the world.

In order to help people in sustainable ways, foreign aid needs a completely new business model. This new paradigm should be grounded in what William Easterly calls an “opportunistic innovation” model that looks for targets of opportunity, not long-range rigid goals set by donor agencies. *The Index of Global Philanthropy* highlights examples of such successful private philanthropic projects and public-private partnerships where government has successfully linked its funds with private projects. These projects succeed because they respond to local initiatives, require co-financing as a measure of commitment, involve peer-to-peer relationships through U.S. professional associations and volunteers, and build local institutions and capabilities. This model has already been proven in countless public-private partnerships where government aid, now the minority partner in the development world in terms of financial flows, links its funds

## A New Window Opens Up on Aid Efficiency

More than a hundred donor and developing countries in 2005 adopted an ambitious declaration to increase aid effectiveness. The Paris Declaration on Aid Effectiveness aims to promote more mature partnerships between donors and partner countries with 12 indicators developed by the World Bank in its Comprehensive Development Framework (CDF). Two of these are especially important in measuring the effectiveness of aid. One, listed under the concept of Ownership, is for countries to have a stake in a donor's development project. A survey of 26 of the 31 countries covered by CDF showed that only five had developed a way to engage meaningfully with donors. The other, under Managing for Results, calls for development of a performance assessment framework or a way of determining what works and what doesn't. Here, only 6 of the 26 surveyed by CDF had developed this.<sup>1</sup>

None of the CDF indicators, however, covers the transaction costs of getting donor resources to intended recipients. Most people assume from media reports that when they read that donors spend \$10 billion on HIV/AIDS programs in 2007, that this is the amount of funds actually reaching patients in the developing world. How much it costs donors to move that amount of money to patients is never asked.

The answer might astonish them. One 2004 survey, cited by Oxford University economist Paul Collier in a recent book, tracked donor money released by the Ministry of Finance in Chad. The funds were intended for rural health clinics. The survey had the extremely modest purpose of finding out how much of the money actually reached the clinics—not whether the clinics spent it well, or whether the staff of the clinics knew what they were doing. Amazingly, less than 1 percent reached the clinics—99 percent failed to reach its destination.<sup>2</sup>

Former Finance Minister of Eritrea and

economist Gebreselassie Tesfamichael was aware of this problem when dealing with aid agencies and NGOs in Eritrea in the early 1990s. He saw that what was delivered to actual people on the ground was, as he called it “a shockingly paltry amount.” So, he requested that at least 90 cents on the dollar should reach its intended beneficiary.<sup>3</sup>

Already in 2001, Congressman Jim McDermott, a Democrat from the state of Washington, had assigned his staff to find an answer to this question: Of the congressionally appropriated funds for global AIDS, how much ever reached a patient? His research soon appeared on the front pages of *The Washington Post*. It showed that 53 cents of every appropriated dollar remained with consulting firms in Washington, D.C.<sup>4</sup>

It seemed for some time as though the congressman's concerns about the efficiency of our foreign aid programs had little effect. Then, in 2004, an NGO called Africa Fighting Malaria published an article in *The Wall Street Journal*, “WHO's Bad Medicine,” describing how WHO was still using therapies for which mosquitoes had long built up a resistance.<sup>5</sup> At the same time, an article signed by 12 public health professionals appeared in *The Lancet* with the title: “WHO, the Global Fund, and medical malpractice in malaria treatment.”<sup>6</sup>

With these publications, a ripple began to turn into a wave of public interest on global efforts to combat malaria. In May 2005, reporting on a Senate hearing on U. S. efforts against malaria, journalist Roger Bate wrote: “...officials from the U. S. Agency for International Development squirmed as Sen. Tom Coburn, (Republican, Oklahoma), revealed that 93 percent of the agency's 2004 funding to eradicate malaria had been spent on administrative and advice-giving services” rather than on commodities and indoor spraying.<sup>7</sup> The sub-

committee conducting the hearing concluded that “USAID's approach had been talking about the malaria program—not investing in results.”<sup>8</sup>

The hearing gave Sen. Coburn, a medical doctor, the idea to have the government sponsor a transparent Web site, complete with a search engine, in which all federal contracts had to be posted.

In April 2006, he introduced legislation to give the public easy access to all government contract awards. The Federal Funding Accountability and Transparency Act, cosponsored by other senators, including the later presidential candidate Sen. Barack Obama of Illinois, was passed in September 2006 and became effective on January 1, 2008. It requires full public disclosure of all federal financial assistance and expenditures—that includes grants, sub-grants, cooperative agreements, task orders, and delivery orders and information on the amount of the award, what it is used for, and who receives it.<sup>9</sup>

During a presentation at the American Enterprise Institute in June 2007, Sen. Coburn showed some progress in malaria expenditures by USAID. The 2006 budget increased allocations for commodities and indoor spraying from 9 percent of actual expenditures in the 2004 budget to 46 percent of projected expenditures.<sup>10</sup>

Now, the malaria case may prove to be the key that opens a door to the public for where their tax dollars are going. If the Web site lives up to Sen. Coburn's intentions, the public should also be able to better see how much of the foreign aid funds are actually reaching poor people in developing countries. That information is critical for measuring aid efficiency and should be a criterion for all government project awards.

The searchable Web site for the public to see where tax dollars are going is: USAspending.gov

— JEREMIAH NORRIS



# Private donors still lack rigorous assessment of their results. Too often evaluation consists of looking at what was delivered to a grantee, not what finally happened with the goods and services.

with ongoing private ventures. In this way, government aid can be involved with private endeavors that have passed a critical market test: They have raised outside dollars and volunteer time.

While we know that most private aid can be delivered more efficiently than government aid, private donors still lack rigorous assessment of their results. Too often evaluation consists of looking at what was delivered to a grantee, not what finally happened with the goods or services. Nonprofits, however, are beginning to take efficiency and impact more seriously. There are numerous watchdog groups that are ranking and providing data on private organizations. Some of these include: CharityNavigator, Guidestar, Catalogue for Philanthropy, GiveWell, Geneva Global, BBB Wise Giving Alliance, and Developmentex.com, created by Harvard Kennedy School graduate Raj Kumar. Kumar is trying to create a database for development aid—information on projects, results, employment opportunities—as well as a skills resource bank. While most of the vetting of nonprofits looks at overhead and accounting practices, some, like Geneva Global and GiveWell, focus on results and performance, too. An increasing number of nonprofits are looking at reporting successes and failures publicly. One such is the American Cancer Society, which in an October 2007 progress report highlighted an unsuccessful attempt to reach one of its goals.

## AFRICA: CREATING PROSPERITY NOT DEPENDENCY

Scholars and economists write regularly on the problems of government aid in its current form. Simeon Djankov, creator of the “Doing Business” report at the World Bank, and Arvind Subramanian at the Center for Global Development warn against adverse effects on Africa’s competitiveness from massive foreign aid transfers. Djankov has even

calculated a negative effect of government aid on institutions.<sup>3</sup> Economists like Robert Barro, William Easterly, and Karol Boudreaux, among others, have challenged the notion that more money will save Africa. They all point to the proven bottom-up, market-based solutions that have propelled China and India’s growth, reducing the number of people in poverty in China by 250 million and in India by 140 million from 1970 to 2000. The real question, as Barro points out, is how to get Africa to grow like China and India.

The answers are clear, and they are coming from Africans. Andrew Mwenda, editor of Uganda’s Monitor newspaper, talks about government policies that have reduced farmers’ incentives to produce food and export crops, thus squandering the opportunity to take advantage of generous preferential trade agreements with the West. Mwenda concludes: “The failure of Western aid in Africa has little to do with the conditions attached to it, but a lot to do with poor governance on the continent.... We need to stop looking outside of the continent for solutions. Africa needs internal reform before it can benefit from the rest of the world.”<sup>4</sup>

Mwenda is joined by Jobs Selasie, head of the charity African Aid Action, who says that aid has failed because both charities and governments have excluded African entrepreneurs and grassroots organizations from being part of the solution.<sup>5</sup> Economist and former finance minister of Eritrea, Gebreselassie Tesfamichael, talks about trying to avoid what he calls “the dependency disease” when foreign aid donors and NGOs came to his country after its war of independence from Ethiopia. “We wanted a partnership,” says Tesfamichael, “rather than a donor-client relationship.” He also counters the common view that Africa has a human capacity deficit for creating growth and prosperity, pointing out that well-trained Africans can be found in abundance. The African diaspora, he adds, is funneling back some \$30 billion a year in remittances, more than the continent receives in aid from all donors. His final take on the aid process is that externally imposed development models have not taken them very far at all and that the failure was not one of money, but of African leadership.<sup>6</sup>

Senegalese singer, Youssou N’Dour, started a micro-credit philanthropy program, called Birima, in Senegal. “My personal experience, says Youssou, led me to realize that when a loan, however small, is used to develop an idea or

## Africa: The New Old Frontier for Development

Aliou Conteh, chairman of Congo's leading mobile phone company, explains what enabled his company to turn the corner and come to dominate the market. "We realized that the mama in the market, going around selling bananas, she has about ten or twelve dollars worth of bananas. If that lady were able to buy a scratch card for two dollars we'd revolutionize the market. When we did the two-dollar card our sales tripled."

The cards—which like a lottery ticket reveal the code for cell phone usage after you scratch away the film covering it—are the key to using cell phones in developing countries. Conteh's strategy helped his company, Vodacom Congo, tap into a market that was ready to explode. The week Vodacom Congo began operations, 35,000 people lined up to get cell phones. After only two years of operation, the firm had 850,000 subscribers.

One of the African success stories of the past decade has been the tremendous expansion of the mobile phone market across the continent. According to the World Bank, the African mobile phone market is the fastest-growing market of any region in the world and is growing at a rate that is double the worldwide average.<sup>1</sup> In 2000, there were 16 million mobile phone subscribers in Africa, and just five years later, the number had skyrocketed to 136 million.<sup>2</sup> This growth is likely to continue because a relatively large percentage of the population has yet to obtain mobile phones.

The growth in cell phones is symptomatic of the surprisingly high and steady economic growth in Africa. Overall real GDP growth rate in the region was 5.7 percent in 2006, lower than the 8.7 percent in the booming Asian region, but higher than Latin America's 4.8 percent average. Twenty-eight countries in Africa improved their growth rates between 2005 and 2006 (only Zimbabwe reported a negative growth rate).

The service sector is the significant

driver of growth in Africa, accounting for 49 percent of GDP (in 2004), compared with 36 percent for industry and 15 percent for agriculture. Tourism in Africa—despite obstacles like insufficient accommodations, poor marketing, and health and safety risks—is a major component of this growth. Financial services, particularly banking, represent a promising, yet underdeveloped sector for many African countries.

The growth of mobile phones in Africa is just one part of a broader trend of how Africa-based companies, organizations, and individuals are leading the development. As Hamadoun Touré, secretary-general of the UN International Telecommunication Union, said recently at the Connect Africa conference, "For the past 50 years of African independence we have been talking about help, assistance, and we did not go anywhere with that. We are well aware of one thing. No one will get rich from handouts and charity. That is why we are here: we are saying we mean business."

Telecommunications illustrate this trend, with most of the companies based in Africa. The largest operator in Africa, MTN, is based in South Africa and has recently expanded beyond its traditional market area of southern and eastern Africa into the Middle East.<sup>3</sup> Celtel, founded by Sudanese-born Mo Ibrahim, has a network that spans 15 African countries and has introduced the One Network, which allows Celtel users in Kenya, Tanzania, and Uganda to cross country borders and use their cell phones without paying roaming charges and without paying for incoming calls. This level of trans-border access led *The Economist* magazine to comment, "Celtel has, in effect, created a unified market of the kind that regulators can only dream about in Europe."<sup>4</sup>

The success of African companies is reflected in the region's stock markets. In the five-year span from 2001 to 2006, Africa's stock markets have earned the

greatest returns of any region in the world, posting a 278-percent gain.

Leading the way for Africa are countries like Tanzania which saw an almost 11 percent gain in its industrial output in 2005 and Botswana, which went from being one of the 25 poorest countries in the world at the time of its independence 40 years ago to becoming an upper-middle income country today.<sup>5</sup>

Botswana has been heralded as a real African success story. Between 2000 and 2005, the country's annual GDP growth averaged 5.9 percent, while GDP per capita leapt 29 percent in the same amount of time.<sup>6</sup> As is often the case in Africa, natural resource deposits have played a large role in the nation's wealth. Botswana, however, has managed to avoid the internecine battles over resources that have plagued other African nations with similar endowments. Shortly after the discovery of diamond deposits in 1967, the government of Botswana swiftly established itself as sole holder of mineral rights across the county, thus precluding any regional conflict over diamond rights.<sup>7</sup> Profits collected by the government from diamond sales were early on invested in health, education, and infrastructure.

Another progressive country, Rwanda, has mounted one of the more ambitious attempts in Africa to bridge the digital divide with a 20-year strategy to transform the economy from a largely agricultural-based to a high-tech service economy. The plan includes hooking up almost every school in the country to a high-speed Internet connection and creating a network of privately owned tele-centers across the country.

Clearly it is time to go beyond what Bono has called "the Sally Struthers thing"—an image of Africa that shows "people humiliated by extreme poverty and wasting away with flies buzzing around their eyes"<sup>9</sup>—and to see a different side of Africa.

—KEVIN WASKELIS

# What is not being done enough is to look at Africa as a glass half full, rather than the familiar images of disease, drought and famine. There is certainly another Africa out there.

realize a project, it is an effective way of fighting poverty. This is why everybody must understand the value of micro-credit. Africa doesn't want charity, it wants repayable subsidized loans."<sup>7</sup>

In a series of conversations on the "big questions" supported by the John Templeton Foundation, Donald Kaberuka, president of the African Development Bank and former finance minister of Rwanda, says: "Decades of defective political and economic governance, and the failure by early post-independence governments to deliver on the promises of independence spun disillusionment and led to unfulfilled expectations paving the way to undemocratic dictatorial rule, the demise of the rule of law, ethnic strife, and economic and social chaos." As James Shikwait, founder and director of the Inter Region Economic Network and CEO of *African Executive* business magazine, says, "The key to Africans engaging in activities to produce economic achievement is to transform the mindset of the 50 percent of the African population below age 20 to focus on turning African problems into opportunities." He cites the eminent British intellectual, Lord Peter Bauer, who said "Money is the result of economic achievement and not a precondition."<sup>8</sup>

What is not being done enough is to look at Africa as a glass half full, rather than the familiar images of disease, drought, and famine. There is certainly another Africa out there when one takes a closer look at the continent's growth rates, emerging cellular industries and booming stock markets. Talented African entrepreneurs are looking at their bottom lines and bringing goods, services, and jobs to Africans in remote areas, despite corruption, rigid bureaucracies and civil wars. Some \$2.6 billion in private equity deals, excluding South Africa, were concluded in 2007. This was nearly seven times the 2005 amount. Investors are getting returns as high as 385 percent. A U.S.-based private equity firm, Emerging Capital Partners, bought all or part of 42 African companies over the last decade with gains averaging 300 percent.<sup>9</sup> See "Africa: The New Old Frontier for Development" on page 13 to read more about this half-full glass.

Countries such as Mauritius, Botswana, Rwanda and Ghana are already being talked about as African success stories, due to steady growth and high GDP per capita rates. The shared characteristics of these countries are

governments that have responsibly invested in their people, welcomed foreign investment through a business-friendly environment, used their natural resources wisely, and supported export-oriented growth strategies. Mauritius has been compared to the East Asian Tigers, and the World Bank named Ghana the top reformer in Africa in 2006 for ease of doing business. This West African coastal state is on track to become the first African country to halve poverty by 2015, according to World Bank country director Mats Karlsson.<sup>10</sup>

This year's *Index of Global Philanthropy* shows, more than ever, the entrepreneurial approaches to development, in new, creative philanthropic and government aid programs. These focus on homegrown solutions by local entrepreneurs and grassroots organizations that work with their peers from developed countries in real partnerships, not as donors and recipients. Empowering people to take care of themselves will lead to the open markets and open societies essential for sustaining economic growth and democratic freedoms in developing countries.

## TRENDS IN TOTAL GOVERNMENT AID TO DEVELOPING COUNTRIES

Governments of the world's most developed countries have given a total of \$2.7 trillion in foreign aid to developing countries since 1960.<sup>11</sup> The figure comes from the Organization for Economic Co-operation and Development (OECD), which measures government aid from the 22 donor countries in the Development Assistance Committee (DAC). Called Official Development Assistance, or ODA, this aid consists of humanitarian assistance, disaster relief and development aid.

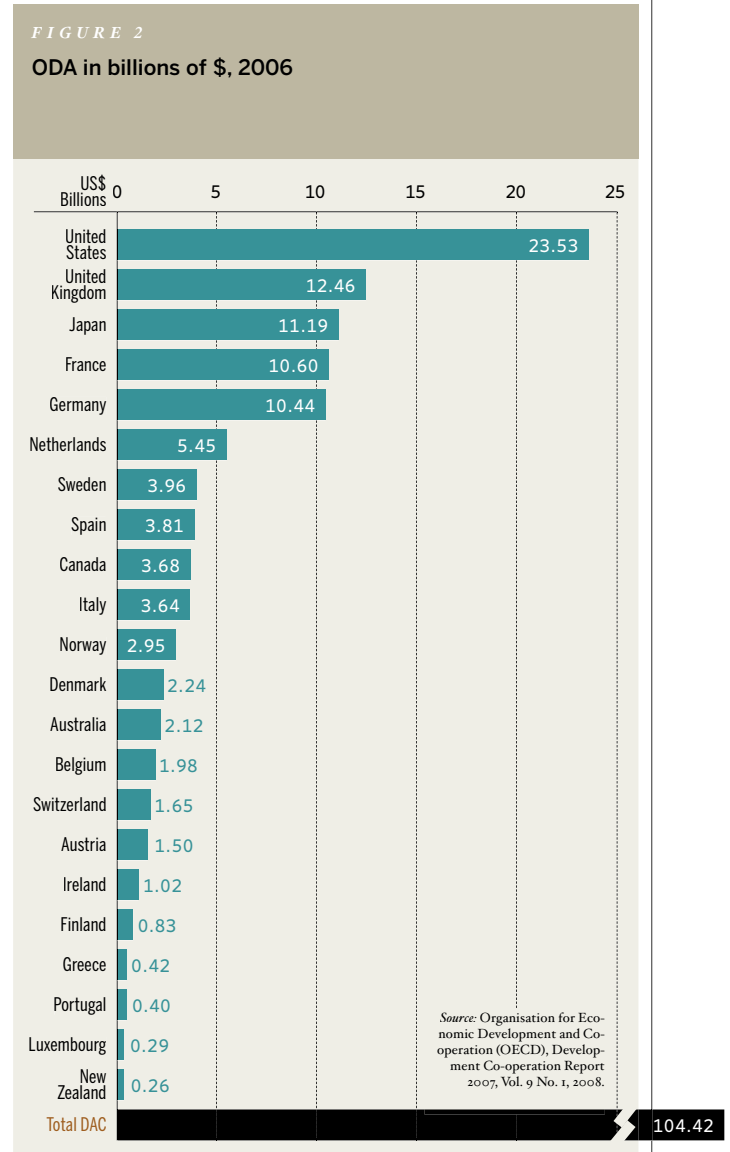
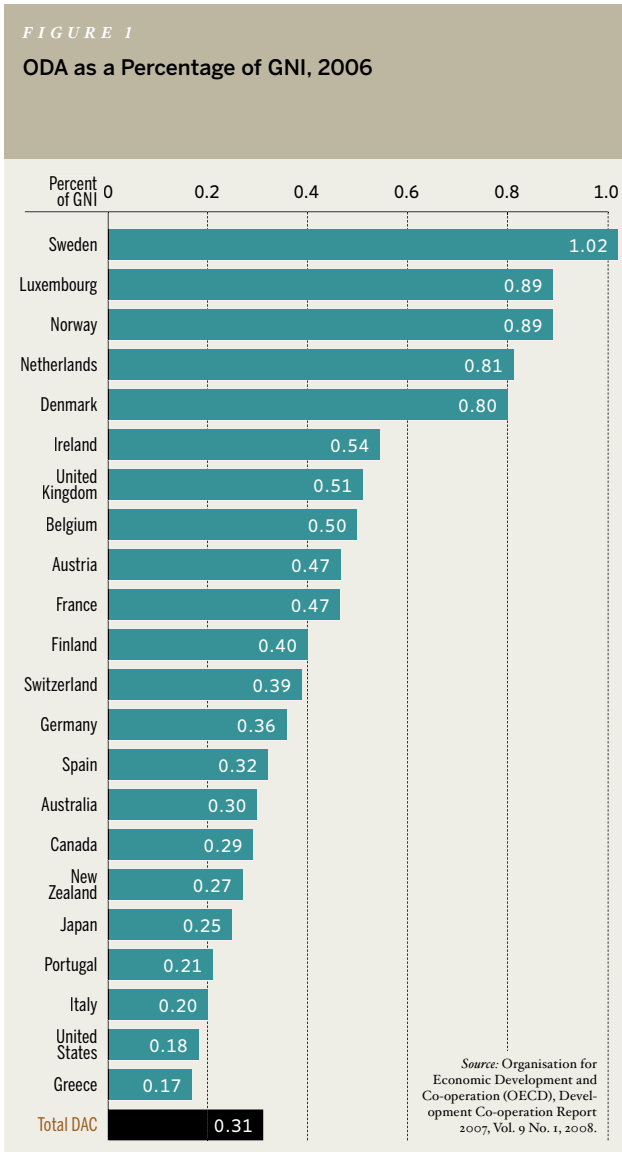
Despite this enormous amount of assistance, the OECD, U.N. Millennium Project, and some donor countries argue that the developed nations should commit 0.7 percent

of their gross national income (GNI) to poor countries each year. While donors agreed at the United Nations conference in Monterrey, Mexico in 2002 to substantial aid increases, only a minority has formally committed to the 0.7 percent target and fewer still have reached it since then. Figure 1 below shows that only Sweden, Luxembourg, Norway, the Netherlands, and Denmark met or exceeded the target in 2006. Overall, the DAC member countries provided 0.31 percent of their combined GNI in foreign aid.<sup>12</sup>

But the 0.7 percent target itself has been challenged by

economists as outdated and a dubious metric for determining aid flows.<sup>13</sup> These experts maintain that the 0.7 percent target was based on growth and savings assumptions in the early 1960s that are no longer true. The authors conclude it would be better to estimate aid needs by starting on the recipient side with a meaningful model of how aid affects development.

ODA from the 22 donor countries actually decreased in 2006, to \$104.4 billion from \$106.8 billion in 2005 (see Figure 2 below). While this decrease of 4.5 percent in real



The bottom line is that actual donor aid is running at less than half the U.N. target of 0.7 percent of GNI, making the goal unrealistic and irrelevant to donors and developing countries alike.

terms was the first decline in ODA since 1997, the 2006 contribution is the second-largest amount of ODA ever given, after that in 2005.<sup>14</sup> The main reason for the decrease was the winding down of the Paris Club's debt relief program, which has been counted as foreign aid. Excluding debt relief, ODA decreased by only 0.8 percent in 2006. For details on the role of debt relief, see "Debt Relief and ODA" below.

The largest donor in 2006 was the United States, followed in order by the United Kingdom, Japan, France, and Germany. These five countries contributed 65 percent of total ODA in 2006. Two of these countries, the United States and Japan, saw a decline in ODA due to the lower amounts of debt relief. Seven other countries—Austria, Belgium, Canada, Finland, Italy, Norway, and Switzerland—also had a decline in assistance other than debt relief. Debt relief was a significant portion of ODA—18 percent in 2006—and it is now coming to an end. The bottom line is that actual donor aid is running at less than half of the U.N. target of 0.7 percent of GNI, making that goal unrealistic

and irrelevant to donors and developing countries alike.

At the G8 summit at Gleneagles, Scotland, in 2005, those leading economies agreed to more than double aid to Africa by 2010. "The Myth of the 0.7% Solution" on page 18 explains that the financing commitments made by G8 members at Gleneagles, like those made by DAC member countries through the OECD, consistently fall short of the 0.7 percent commitment. Even so, the decrease in overall ODA just a year after donors made these pledges illustrates the problems with setting impractical foreign aid targets.

Aid flows into Africa, however, were not affected by

## Debt Relief and ODA

When developed countries forgive debt from developing nations, they count this as part of their Official Development Assistance (ODA). This debt relief accounted for a much bigger part of government aid than usual in 2005, when large debts to Iraq and Nigeria were forgiven. Debt relief accounted for \$24.4 billion of ODA in 2005, or nearly one-quarter (23 percent) of overall ODA.

The fact that debt relief was winding down in 2006 and accounting for a smaller part of government aid was the main reason that ODA declined 4.5 percent in real terms in 2006, to \$104.4 billion.<sup>1</sup> When

debt relief is excluded, ODA only declined by 0.8 percent in real terms.

The Paris Club, including the Development Assistance Committee (DAC) donor countries, embarked on the first phase of its debt write-off agreement for highly indebted poor countries (HIPC) in 2005. These write-offs continued in 2006, and debt forgiveness as part of ODA totaled \$18.9 billion, including roughly \$3.3 billion for Iraq and \$9.4 billion for Nigeria.

Seven of the 10 DAC countries that saw a decline in overall ODA in 2006 reduced their debt relief grants in real terms. The United States had the most significant

decline in ODA and debt relief of all DAC members, as ODA declined 18.2 percent in real terms to \$23.5 billion and debt relief dropped 64 percent to \$1.5 billion. The 2005 figure included forgiveness of huge amounts of Iraqi debt, leading to a sharp decline in 2006. Other countries that experienced a similar decrease in total ODA and total debt relief included Austria, Belgium, Canada, Italy, Japan, and Switzerland.

The OECD predicts that ODA will decline once again in 2007, as debt relief grants continue, even though they will be tapering off.

—CATHERINE FISHER



this donor backsliding. Assistance to Africa was at an all-time high, totaling \$43.4 billion. While debt relief accounted for almost 30 percent of this, aid to Africa reached a high of 42 percent of all ODA. Major recipients included Nigeria, the Democratic Republic of Congo, Sudan, and Ethiopia. Overall, Nigeria was the developing country that received the most assistance from all DAC donors, followed by Iraq and Afghanistan.

### U.S. GOVERNMENT AID TO DEVELOPING COUNTRIES

The United States came in second-to-last among donor countries in 2006, as measured by a percentage of GNI, with only 0.18 percent, compared with 0.22 percent in 2005<sup>15</sup> (see Figure 1 on page 15). In absolute amounts, however, the United States continues to be far and away the largest donor, with \$23.5 billion, or 23 percent of all ODA. As Figure 2 on page 15 makes clear, U.S. government aid in 2006 was almost twice as high as that from the next highest donor, the United Kingdom. Following the overall trend, U.S. aid decreased from \$27.6 billion in 2005, because that number included large debt relief grants to Iraq and other countries.

U.S. government aid to sub-Saharan Africa in 2006 reached a record high \$5.6 billion as a result of assistance for HIV/AIDS, malaria, and education as well as debt forgiveness grants to Nigeria.<sup>16</sup> While Iraq and Afghanistan continued to be the largest recipients of U.S. government aid, less than 30 percent of ODA went to countries that fall under aid spending for national security purposes. Out of all U.S. ODA, some 45 percent of aid went to the Middle East and North Africa, 24 percent to sub-Saharan Africa, and 13 percent to Latin America and the Caribbean.

### U.S. TOTAL ECONOMIC ENGAGEMENT WITH DEVELOPING COUNTRIES

The problem with judging America's generosity by the measure of government aid alone is that the figure excludes the vast amounts of private giving from American foundations, corporations, private and voluntary organizations, universities and colleges, religious organizations, and individuals sending money back to their home countries. A more complete way of measuring donor impact on the

developing world is to look at a country's total economic engagement—including commercial and philanthropic—with developing countries. Table 1 below provides this more complete picture of American investment and generosity in the developing world.

In 2006, U.S. private philanthropy and remittances (second and third categories in the table) totaled \$106.3 billion—four and a half times the amount of government aid. As Table 1 shows, U.S. ODA at \$23.5 billion is only 12 percent of total U.S. economic engagement with the developing world. The \$23.5 billion 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, and international development aid administered by other U.S. government agencies.

To understand U.S. private assistance in the context of foreign aid, it is useful to compare this figure to the ODA of the United States and other countries. For example, American religious organizations gave \$8.8 billion in 2006, equivalent to 37 percent of all U.S. government aid. American

TABLE 1  
Total U.S. Economic Engagement with Developing Countries, 2006

	Billions of \$	Percent
<b>U.S. Official Development Assistance</b>	\$23.5	12%
<b>U.S. Private Philanthropy</b>	\$34.8	18%
Foundations	\$4.0	2%
Corporations	\$5.5	3%
Private and Voluntary Organizations	\$12.8	7%
Universities and Colleges	\$3.7	2%
Religious Organizations	\$8.8	5%
<b>U.S. Remittances</b>	\$71.5	37%
<b>U.S. Private Capital Flows</b>	\$62.3	32%
<b>U.S. Total Economic Engagement</b>	<b>\$192.1</b>	<b>99%</b>

Source: Organisation for Economic Development and Co-operation (OECD), Development Co-operation Report 2007, Vol. 9 No. 1, 2008; World Bank, Migration and Remittances, 2007; International Development Bank, Sending Money Home, 2007; Hudson Institute, 2008.

Total flows represent only 28 percent of all financial flows from developed to developing countries. The numbers underscore the dramatic change in how the developed world is engaging with the developing world.

private and voluntary organizations alone gave more aid to the developing world in 2006 than the Germany, the Netherlands, and Sweden each gave in government aid. Universities and colleges in the U.S. provide more in scholarships and stipends to the developing world than half of all the DAC donors gave in official assistance individually in 2006. For detailed breakdowns of U.S. private giving categories and the methodologies for collecting them, see 'Private Aid at Work,' page 22, and the Methodology section, page 68.

There are two other important financial flows from the United States to developing countries that eclipse official aid in both magnitude and efficiency. These are the individual remittances that migrants send back home and the private investment and loan flows from companies in the U.S. to developing countries (see Table 1).

Remittance outflows from the United States to the developing world totaled \$71.5 billion in 2006, or 37 percent of total U.S. economic engagement with developing countries.<sup>17</sup>

They exceed any other donor country's government aid program and are equivalent to 68 percent of total ODA from all DAC countries. The OECD does not include remittances when reporting financial flows to developing countries—a serious omission in light of their magnitude and impact on poverty reduction. For a closer look at remittances from the U.S. and other donor countries, see 'Sending Money Home,' page 60.

In 2006, the \$62.3 billion in private capital flows from

## The Myth of the 0.7% Solution

At the Gleneagles G8 Summit in 2005, members pledged to increase aid to Africa \$25 billion per year by 2010.<sup>1</sup> They also pledged to immediately cancel 100 percent of debt from the world's most highly indebted poor countries. Subsequently, all DAC donor countries, except for Switzerland, announced they would increase their aid either through percentage targets of GNI or by absolute amounts. The pledges were made to help the developing world, specifically Africa, meet the U.N. Millennium Development Goals (MDGs) by 2015. Taking all these announcements into account, the OECD estimated these increases would add an additional \$50 billion per year to total ODA by 2010.

A common misperception is that G8 members and DAC donors have committed to the 0.7 percent target recommended by the U.N. But, in actuality, only six countries—Belgium, Denmark, Luxembourg, the Netherlands, Norway, and Sweden—have committed to reach the 0.7 percent target by 2010. Four others—France, Ireland, Spain, and the U.K.—made qualified commitments to reach the target after 2010. Eight other countries—Australia, Austria, Finland, Germany, Greece, Italy, New Zealand, and Portugal—set lower targets. Canada, Japan, Switzerland, and the United States did not agree to any aid level as a percent of GNI. Instead, these countries announced that they would

increase their dollar amount of foreign aid primarily for Africa and other humanitarian assistance programs.<sup>2</sup>

Since the declaration of the MDGs in 2000, the 0.7 percent target has only been achieved by five donor countries. After the decline in ODA in 2006, it is unlikely that DAC donors will be able to fulfill their commitment targets for 2010 and beyond. This is largely due to the inflation of ODA in 2005 and 2006 from large amounts of debt relief grants. Additionally, the OECD calculates that if donors expect to meet their aid pledges, they would need to more than double their development programs over the next four years, an unlikely prospect given their past record.

the U.S. to the developing world was the largest among donor countries, accounting for one-third of all international private capital flows from donor to developing countries.<sup>18</sup> These flows represent investment and lending by the private sector on market terms and include private foreign direct investment, export credits, securities, bank credits, and other private transactions in developing countries. It is this capital that creates jobs, raises productivity, transfers skills and technology, and boosts export industries in developing countries—what economists see as the critical factors in creating growth and prosperity.

Total private financial flows—investment, philanthropy, and remittances—from all donor countries, including the U.S., far exceed public flows to poor countries, consisting of ODA and other government loans. Figure 3 below shows how all private flows have exceeded public flows over the last 15 years. In 2006, private investment and philanthropy was \$209.4 billion, and remittances were \$122.4 billion.<sup>19</sup> Total official flows, at \$94.6 billion in 2006, represent only 22 percent of all financial flows from developed to developing countries.

The numbers underscore the dramatic change in how the developed world is now engaging with the developing world—through a large and diverse private sector that is shaping economic growth and social patterns in dramatic and lasting ways.

### ALL DONORS' ASSISTANCE TO DEVELOPING COUNTRIES

Since ODA, as a measure of a country's generosity, excludes private philanthropy and remittances, it is important to compare donors by more complete and updated measures—ones that reflect the reality of how countries give to the developing world. Figures 4, 5, and 6 on pages 20 and 21, provide measures of the full generosity and assistance of donor countries by combining

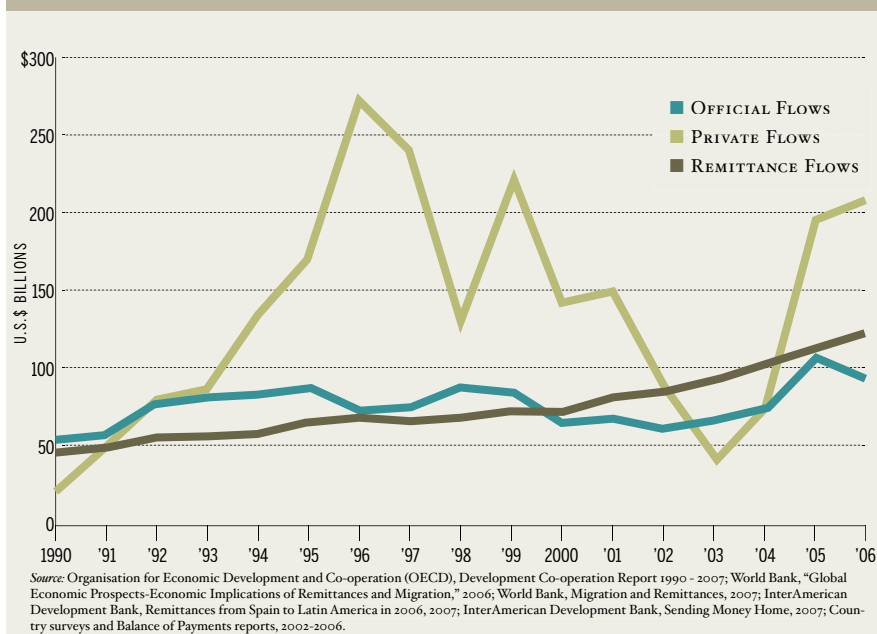
their ODA, private philanthropy, and remittance outflows to the developing world.

Figure 4 presents ODA, private philanthropy, and remittance flows of the DAC countries as a percentage of GNI. As we have seen, the 0.7 percent target in foreign aid is not really a meaningful measure nowadays. In point of fact, when we combine private giving with ODA in Figure 4, we see that many countries actually exceed 0.7 percent of GNI in economic assistance anyway. The key fact, however, as we illustrate in the success stories throughout the *Index*, is that private giving fulfills genuine needs in the recipient countries. Several countries, including the United States, rank much higher when private philanthropy and remittance outflows are counted in addition to government aid. For example, the United States moves up to 6th place from 21st place, second to the bottom. Canada likewise moves to 7th place from 16th place, and Australia to 9th place from 15th place.

Figure 5 shows absolute amounts for ODA, private philanthropy, and remittance flows. The United States ranks

FIGURE 3

Total Private, Official, and Remittance Flows from OECD Donor Countries and Multinational Agencies to Developing Countries in billions of \$, 1990–2006



first with a total of \$129.8 billion, or 48 percent of total assistance by all OECD donors. Other countries with significant financial flows to the developing world in terms of total assistance include the United Kingdom, Germany, France, Japan, Canada, and Spain.

Finally, Figure 6 shows the ODA, private philanthropy, and remittance flows on a per capita basis. Norway provided the highest per capita assistance at \$768. Other countries that had high per capita total assistance levels include Sweden, Denmark, the U.S., and Switzerland. Countries that

ranked high in Figure 5 fell in the middle of the pack in Figure 6, because of their large populations. For example, Norway's total assistance is spread out over a population of only 4.7 million whereas Germany's total assistance is divided by its 82.4 million people.

Many of the private giving figures in these figures are ones that donor governments report to the OECD. These numbers, however, are incomplete, often based on voluntary and limited surveys. Many exclude corporations and religious organizations, and do not include estimates for volunteer time. To remedy some of these deficiencies, the Hudson Institute began in 2000 to measure U.S. private giving more comprehensively. The U.S. government itself has acknowledged the inadequacies of the private giving number it provides to the OECD.<sup>20</sup> The U.S. government has, however, subsequently published private giving numbers that incorporate most of the numbers developed by the Hudson Institute and its partners—the Urban Institute, the Foundation Center, the Center to Encourage Corporate Philanthropy, the Pharmaceutical Quality Medical Donations nonprofit, the International Institute of Education, the University of Notre Dame, and the Bureau of Labor Statistics.<sup>21</sup>

Since the publication of the first *Index* in 2006, Hudson's Center for Global Prosperity has also started international partnerships with organizations in the U.K. and other European countries that want to develop more accurate private giving numbers. In this year's *Index*, we have larger and more accurate private giving numbers for three countries, the U.K., Norway, France, and considerably more information on data and trends in private giving from Australia, Germany, Ireland, the Netherlands, and New Zealand. Each year we plan to work with more partners in sharing our methodologies for use in their research and analytical work and by publishing their numbers. Our new partners and collaborators this year include the Australian Centre for Philanthropy and Nonprofit Studies in Australia, Centre d'Étude et de Recherche sur la Philanthropie (CerPhi) in France, the Global Public Policy Institute in Germany, The Centre for Non-profit Management at Trinity College Dublin, and the Workgroup for Philanthropic Studies at Free University in the Netherlands. We have also continued our

FIGURE 4

Assistance as a Percent of GNI—Total Assistance from OECD Donor Countries to Developing Countries: ODA, Philanthropy, and Remittances, 2006

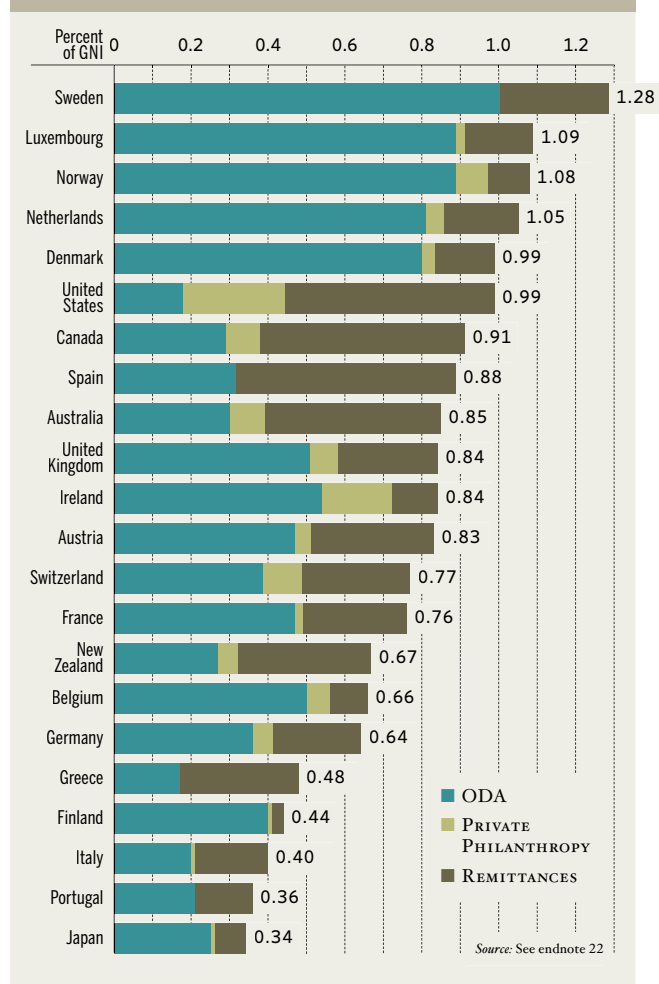
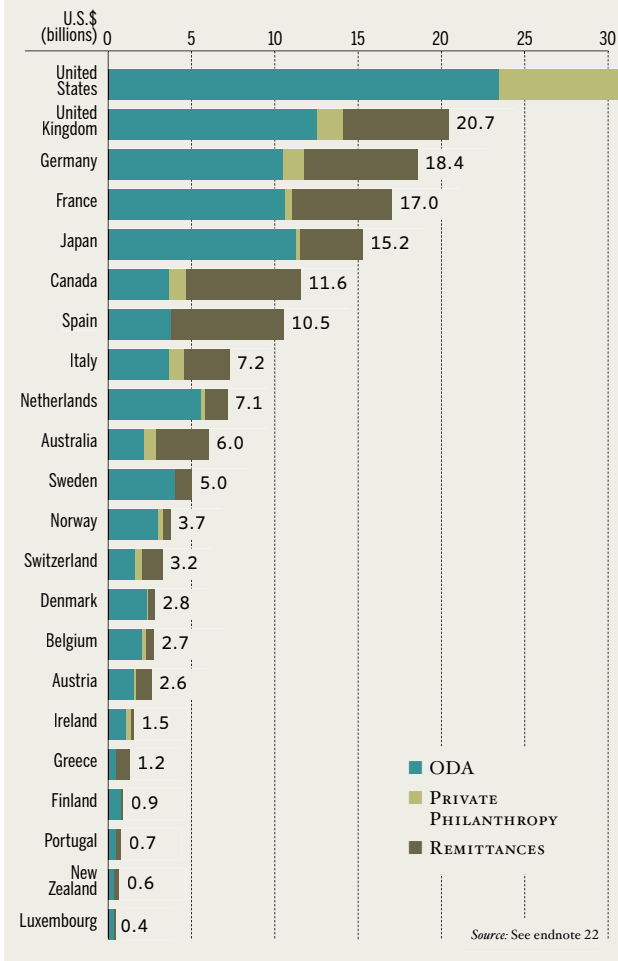


FIGURE 5

Assistance in Billions of \$—Total Assistance from OECD Donor Countries to Developing Countries: ODA, Philanthropy, and Remittances, 2006



far exceed government aid, thus providing a more complete picture of the developed world's engagement with developing countries. The increased private sector activity reflects the dramatic changes in the developing world, including economic growth and jobs, increases in the skilled labor force, rise in local NGOs and local philanthropy, and health and nutrition improvements. Finally, the explosion of technology through the Internet and cell phones is redefining traditional foreign aid from a top-down to a demand-driven business model relying on local partnerships and managing for results. ■

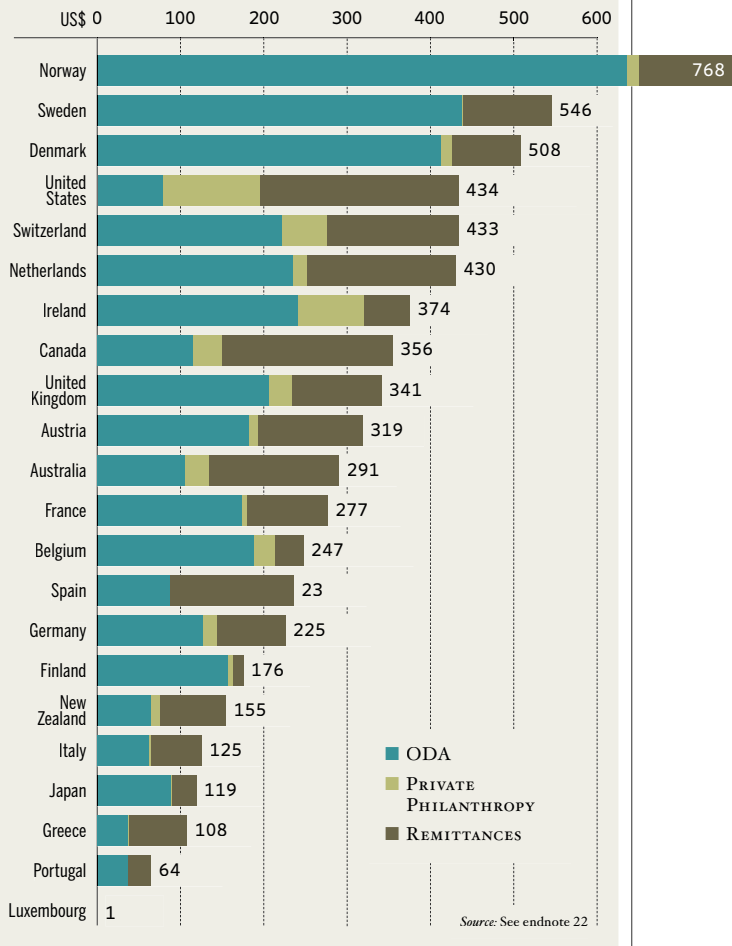
partnership with Charities Aid Foundation in the United Kingdom. We will continue to work with these and new partners as we begin to build the data base for global private giving to poor countries. 'A World of Generosity' on page 46 discusses private giving in European and other countries at greater length.

The figures for remittances are based on survey data and the World Bank's bilateral matrix, a compilation of weighted formulas used for estimating remittances between countries. While we believe these figures are some of the best estimates available, it is important to keep in mind that all data on remittances are estimates. They are all based on a variety of methodologies and assumptions, still in various stages of development. Our discussion of remittances is in 'Sending Money Home,' beginning on page 60 and in the Methodology section on remittances on page 68.

Figures 4, 5, and 6 show clearly that private philanthropy and remittance outflows in all OECD donor countries

FIGURE 6

Per Capita Assistance—Total Assistance from OECD Donor Countries to Developing Countries: ODA, Philanthropy, and Remittances, 2006





Below: This baby sitting so comfortably on her mother's back in Lesotho is one of the patients being treated by the Baylor Medical College's Pediatric AIDS Volunteer Corps. Individual donors, including a Wall Street hedge fund manager, support the Corps (see story on page 28). Right: Students on Alternative Break take a break from their community service.

## U.S. INTERNATIONAL GIVING

# Private Aid at Work





U.S. philanthropic organizations in all categories are using more business techniques and they are working more and more with local partners to ensure that their contributions matter. These are some of the trends in institutional giving. In the following pages, we examine the main types of private donors — foundations, corporations, private and voluntary organizations, colleges and universities, and religious congregations — and measure their giving to developing countries. We also show in a number of stories how philanthropy is about individuals giving in a way that changes the lives of other individuals.

## FOCUSING THEIR EFFORTS

### Foundations: \$4 Billion

**I**ndependent, community, and grant-making operating foundations in the United States gave a total of \$4.0 billion to developing countries in 2006, according to Foundation Center research conducted for the Center for Global Prosperity. This represented a nearly 70 percent increase over a revised estimate of \$2.4 billion for 2005.

The Foundation Center estimate for 2006 was based on an analysis of grants of \$10,000 or more awarded by a sample of close to 1,300 of the largest U.S. foundations and on total actual giving (including grants of any amount) by all 71,000+ U.S. grant-making foundations. In the grants sample, approximately 55 percent of international grants to developing countries went to health programs, 21 percent to international development and relief programs, and nearly 8 percent to environmental programs. The 55 percent of giving that went to health and environmental programs in 2006 was consistent with the prior year, while the 21 percent that was dedicated to international development and relief was up from 16.5 percent in 2005.

One development approach that is getting more attention is represented by the Alliance for a Green Revolution in Africa (AGRA). AGRA, launched in 2006 with significant assistance from U.S. foundations, is an international, African-led partnership dedicated to practical solutions to boost farm productivity and incomes for the poor

while protecting the environment. The Rockefeller Foundation and the Bill and Melinda Gates Foundation joined to launch the initiative dedicated to revolutionizing food production in order to reduce hunger and poverty across the continent. Initial funding of \$100 million from the Bill and Melinda Gates Foundation and \$50 million from the Rockefeller Foundation was supplemented in early 2008 by an additional \$307 million from the Gates Foundation.

Modeled on the Rockefeller Foundation's pioneering efforts in much of the developing world starting in the mid-20th century, the Africa-based and African-led initiative exemplifies a number of trends in foundation giving, including careful study of best practices, attention to the capacity of the receiving countries to implement workable programs, and application of a comprehensive range of "interventions" in a variety of sectors to gain traction. The program reflects the foundation world's increasing focus on outcomes and formative evaluation. As Rockefeller President Judith Rodin said in a recent newspaper interview: "[A]ll of us intend to be mindful of really measuring outcomes and learning as we go and then providing the necessary resources."

Foundation support for international development causes comes not only from large and well-known foundations, but also from local community organizations that form cooperative partnerships in the United States and abroad for sustained impact over time. For example, local Lions Clubs around the U.S. provide funds to the Lions Clubs International Foundation to support SightFirst projects around the world. This philanthropic program restores sight to people by supporting surgeries, preventing vision loss, and improving eye care services. In Ethiopia, Lions Clubs International has worked over the years with the Carter Center and local Lions clubs to dispense anti-trachoma medication donated by Pfizer to prevent infectious blinding disease in rural areas.

Foundations have responded to the digital revolution by increasing access to information and training in new technologies in the developing world in a wide range of fields. The William and Flora Hewlett Foundation is funding a Yale University project to make prestigious scientific journals in the environmental sciences available online to the developing world at little or no cost. The Engineering Information Foundation provided grants in 2006 to a Ukrainian academy to promote effective library and language skills for information processing, and to develop a digital resource library in Botswana, among other projects. And the Knight Foundation's award to the GlobalVoices project introduced readers around the world to bloggers from the developing world, helping to introduce students, journalists and citizens to the blogosphere and thus to international conversation and collaboration.

## THE W.K. KELLOGG FOUNDATION

### Don't Give the Man a Fish

**F**ounded in the midst of the Great Depression in 1930, the W.K. Kellogg Foundation has always believed in helping people help themselves. One of the largest private philanthropic foundations in the world, Kellogg paid out nearly \$335 million in grants in fiscal 2007—a record for the foundation. Will Keith Kellogg, who founded the well-known cereal company with his brother, John Harvey Kellogg, worked hard from his humble beginnings to become one of the wealthiest men in America—and one of the most generous. He established the W.K. Kellogg Foundation Trust to support his foundation and donated \$66 million of his own Kellogg stock to the Trust, and it remains the largest source of funds for the foundation. In the spirit of his belief in the inherent capability of people, the Kellogg Foundation never "gives the man the fish," but, as its annual report puts it, "gives in a way that makes people stronger and more capable to use their own assets and abilities."

The Kellogg Foundation awards grants to programs in three geographical areas: the United States, Latin America and the Caribbean, and southern Africa. In the United States, Kellogg focuses on food systems and rural development, health, philanthropy and volunteerism, and youth and education. In Latin America and the Caribbean, the foundation supports regional development, particularly projects involving local youth and those that promote leadership development, social responsibility, institution building and access to information technology. In southern Africa, the focus is on strengthening leadership capacity and improving rural communities, including educational programs and jobs creation. One example of this is CIDA, a unique university in South Africa.

Located in Johannesburg, CIDA is a revolutionary educational program. The Community and Individual Development Assistance (CIDA) university charges just \$800 in tuition for the entire four-year degree. Students working on everything from administration to grounds keeping help keep costs low. The first of its kind, the school is accessible to the poorest of the poor. CIDA requires the students to "plow back" what they learn into their own communities, thus helping thousands of others. According to the CEO of CIDA, Taddy Blecher, the 2,500 graduates and students have collectively improved the lives of 600,000 South Africans.

Katleho Chaolane came to CIDA in 2003 from Lesotho, a small landlocked country surrounded by South Africa. He went on to graduate with a master's in Management and Social Transformation from the Global School for African Leadership and Transformation—a school CIDA created in partnership with the Kellogg Foundation. Katleho embraces the African value of *ubuntu* that CIDA promotes: it is not what you take, it is what



you give that builds your life. Once a villager with few prospects, Katleho today is a member of his local government in Lesotho who teaches at a secondary school in his spare time and on weekends tutors illiterate local herders out of his home. His story is just one of many among CIDA graduates.

"Our belief has always been that when people feel empowered, when they feel that they're a valuable, contributing member of society, then they will start to bring about change," Blecher says. "They will build their own institutions, their own roads, their own clinics and everything else." Taddy Blecher echoes the truth of W.K. Kellogg's vision: the power, and the results, of helping people help themselves. —INGRID BJERKE

## ENTRA 21

### One Youth at a Time

Celia Hernandez's situation was grim after she gave birth to her son Axel at the age of 17. To help make ends meet, she took a low-paying job selling pens and pencils at a small store. Her mother had died when she was very young, and her father moved to the United States, leaving their home in Tehuacan, Mexico, to find work to support his family. Like many of her peers, Celia had little to count on and few opportunities of getting a good job. With few options in life, Celia was able to participate in a local *entra 21* program that provided her with six months of training in computers and then arranged an internship for her at a local company. After graduating, Celia was able to find a full-time job using her new skills and experience.

*Entra 21* is a training program designed to reduce unemployment among youth in Latin America and the Caribbean. Launched in 2001 by the International Youth Foundation (IYF), based in Baltimore, Maryland, and the Multilateral Investment Fund (MIF), part of the Inter-American Development Bank (IDB), the program has gained support from global companies such as Gap, Lucent Technologies, Merrill Lynch, Microsoft, Nike, Shell, and Caterpillar, as well as the U.S. Agency for International Development (USAID), government agencies, and non-governmental organizations. Currently in the first year of its second phase, *entra 21* is building upon impressive results. From 2001 to 2007, *entra 21* implemented 35 projects in 18 countries, providing IT and life skills training to over 19,000 youth, and placing more than half of them in jobs. With a newly



*Entra 21* instructs young people in technical skills that will be useful in the local job market.

approved \$10 million grant from the MIF/IDB, the current four-year program will reach over 50,000 youth, with a focus on exploring larger scale projects, targeting significant numbers of harder-to-hire youth, and incorporating impact evaluations into a rigorous learning component.

Celia Hernandez's response to *entra 21* is typical. "Before, I had no future," Celia says. "Now I have a good job and a much better perspective on life." Finding and keeping a job in these countries can be a difficult task, made even more so by poverty and lack of adequate education and experience. To further complicate matters, many public schools in Latin America and the Caribbean do not offer IT training. Some do not even have suitable computer labs. This program serves the mutual interests of both unemployed youth and businesses that have difficulty recruiting properly trained staff. The instructors and administrators of *entra 21* take the proper steps to ensure that the training is relevant to the needs of the local businesses. With *entra 21* serving as a liaison between youth and future employers, everybody is a winner.

Mexico alone has trained 750 youths in its two programs in Guanajuato and Tehuacan, and is making a difference in other

countries in Latin America as well. The program has improved the job prospects of 600 youths in Bolivia, 500 in Colombia, and 360 in the Dominican Republic. The program also continues to explore new strategies to reach greater numbers of youth, expanding in Brazil, for instance, from one city to 10, and training over 4,000 young people.

"This program was a wonderful chance to improve as a parent and a worker," Celia Hernandez testifies. "It's been good not just for me, but all the other young people like me who didn't have a real chance in life."

—CAFER ORMAN

## I DO FOUNDATION

### Saying 'I Do' to Giving

Weddings are one of the most important and expensive occasions in a person's life, but for couples who don't want their special day to be just about their own happiness and spending a lot of money, one foundation offers the chance to say a lot more than "I do." From invitations to gift registry to honeymoon travel, couples and their guests can contribute to a charity of their choosing by making their purchases through the Web site of the I Do Foundation.

With the help of their numerous corporate and nonprofit partners, the foundation, an online organization, provides engaged couples with a range of philanthropic opportunities at their wedding. The mission is twofold; to create new ways to support nonprofits and to make charity part of the wedding tradition. By encouraging brides and grooms to make charitable giving an integral part of their celebration, the foundation's vision is to "help families establish a pattern of giving that will last a lifetime."

A couple begins by selecting a partner charity from the I Do Foundation's database. Those with a passion for healthcare can sponsor an organization like Doctors Without Borders or the Global AIDS Alliance. If a couple is more interested in children's issues, they might select Save the Children or the National CASA Association, a nonprofit that provides advocates for abused and neglected children. Or, if the couple is concerned about community development, they could sponsor a microfinance enterprise like ACCION International or a refugee resettlement agency like the International Rescue Committee. The foundation has over 3,500 nonprofit organizations to choose from. And if the couple prefers an organization that is not on the list, they are encouraged to nominate it. Subject to certain restrictions, any nonprofit is eligible to become an I Do Foundation partner organization.

Once the couple has selected their charity, they can raise money through a variety of ways, all online: invitations, wedding registry, charity registry, wedding favors, and travel. If a couple purchases their invitations through the I Do Foundation's partner Carlson Craft, 10 percent of their purchase will be donated to their selected charity. If a couple registers at one of the I Do Foundation's affiliated stores, the foundation will donate a percentage of the guests' wedding gift purchases to the couple's charity. There are some 25 stores to choose from, including household names such as Macy's, Nordstrom, J.C. Penny, Amazon and Target. In addition to their traditional registry, the couple may also choose to sign up for a charity registry, which allows guests to make donations directly to the charity in the couples' honor. Similarly, a couple can donate money to their charity in lieu of the traditional wedding favor. And the couple can encourage guests to book their travel through Orbitz for a donation of between \$5 and \$15 or by booking their own honeymoon through foundation's travel partners.

Since the foundation was created in 2002, over \$3 million has been donated to charities through their Web site, including \$1.1 million in 2007. Each year, an average of 200,000 couples register and choose one or more charities to donate to. Charities with an international focus have proved the most popular choice among clients, and Doctors Without Borders has received the most donations—\$250,000 since 2002 and \$140,000 in 2007. Habitat for Humanity is another favorite, with \$70,000 in donations in 2007.

One couple in their 20s who got married in June 2007, for instance, since they both have good jobs and already own many

of the traditional wedding gifts, decided to sponsor three of their favorite charities through their wedding. Of the \$675 they raised, \$200 went to Habitat for Humanity, an international nonprofit that builds houses for families in need.

Thanks to online technology, running costs are kept to a minimum. The foundation's seven staff members are able to track every online purchase made with a partner store through their Web site, to make sure that each charity receives its share of donations. The I Do Foundation makes no money off wedding gift purchases made through its Web site, but when a wedding guest makes a direct donation to the couples' chosen charity, the I Do Foundation charges a 4.75 percent credit card processing fee to the giver. According to Amy Cress, the I Do Foundation's executive director, for every dollar of operating costs, \$4 to \$5 of charitable donations are generated.

In terms of overall charitable giving, the I Do Foundation's contributions to nonprofits might not seem that significant. But its impact should be judged not only on its creation of new support channels for nonprofits, but its ability to light the spark of philanthropic giving that may last a lifetime.

—DAVID JOHN BAKER and ADRIENNE TYGENHOF

## CREATING PARTNERSHIPS THAT WORK

### Corporations: \$5.5 Billion

The Center for Global Prosperity worked with its corporate partners, the Committee Encouraging Corporate Philanthropy (CECP) and the Partnership for Quality Medical Donations (PQMD) to determine reliable measures for 2006 corporate giving to the developing world. We also conducted our own research to estimate some of the giving by corporations not captured by these organizations. Specific figures for each source appear in the Methodology section on page 68 of the *Index*.

Besides providing cash and in-kind donations, U.S. corporations are engaged in global philanthropy in new and diverse ways and nowhere is this more dramatic than in the activities that corporations are initiating with charitable organizations. "The line between the for-profit and nonprofit sectors is getting thinner," Daniel Katz, founder and board chair of Rainforest Alliance, a nonprofit conservation alliance, says. For example, Google.org—the search engine company's philanthropic arm—engages both



for-profit and nonprofit organizations that focus on its interest to address energy, poverty and environmental issues. The idea behind such “social entrepreneurship” is that global problems are most effectively addressed through collaboration between public and private sectors.

Fair trade practices also show how corporate strategies increasingly intersect with traditional development assistance goals. Concerned about labor and environmental practices in some of the Asian factories that he worked in as an inspector, Joe Falcone formed his own apparel company, Counter Sourcing, to produce licensed shirts for U.S. universities. Counter Sourcing pays 10 percent of its annual sales as bonuses to its workers, and puts an additional 7 percent into employee-chosen programs in education, health and the environment. “The concept of ‘fair-trade apparel’ also taps into the urge of students to make social change and do good even as consumers,” Falcone says.

Increasingly, such localized approaches and collaboration characterize the philanthropy of large corporations. Coca-Cola and Unilever have turned to local community organizations, PVOs, and international agencies to pursue responsible business strategies that also help such groups achieve their purposes. These and other companies have put aside their longtime wrangling with Greenpeace over hydro-fluorocarbons (refrigerant gases that are greenhouse agents) to work with environmental groups to develop alternative technologies and promote their adoption by suppliers. “Instead of confronting each other, we slowly got into that mode of understanding each other and realizing that we have common goals,” says Salvatore Gabola, director of European public affairs for Coca-Cola.

Another trend showing how corporations are affecting international giving is the growth of philanthropic advisory arms at financial services companies. According to a Chronicle of Philanthropy survey, assets of donor-advised funds grew more than 21 percent in 2006. Merrill Lynch’s Center for Philanthropy and Nonprofit Management, UBS’s Philanthropy Services, Citibank’s Philanthropic Services, and Fidelity’s Charitable Gift Fund Giving Account help individuals and families plan and implement strategies for giving based on their values and interests. These firms and others help to channel funds into individual and family foundations, charitable trusts, and donor-advised funds that provide philanthropists with information about charities and community needs that can receive funds from the account when the donor chooses to make grants. “If you have not found your charitable mission in life yet, a donor-advised fund is a great way to figure out what is important to you,” Elliot Berger, vice president of Foundations and Strategic Philanthropy at Merrill Lynch, advises.

## EMERGING MARKET HANDSET

### Phoning Home From Anywhere

Despite the incredible growth of mobile phone use worldwide over the past 15 years, there are still more than 3 billion people who live in areas that have mobile phone coverage but cannot afford wireless service. Even with the introduction of pay-as-you-go services that have made the cost of airtime less expensive and more attainable, the main deterrent to greater mobile phone usage is the cost of handsets. In order to “connect the unconnected,” the GSM Association (GSMA), an international trade association that represents mobile phone operators and manufacturers, launched the Emerging Market Handset (EMH) program in February 2005.

The first step was for the GSMA to bring together 18 different mobile phone vendors and have them submit designs for the EMH phone. Motorola submitted two different handsets, the C113 and the C113a, and ultimately was selected as the sole vendor for the EMH program. The Motorola C113a, which was specifically designed for this program, includes features for users in the developing world. For example, the phone’s batteries will last for long periods between charging (450 minutes of talk time and 330 hours of standby) since the supply of electricity in developing countries can be inconsis-



Cell phones are spreading into the far corners of the globe, helped by initiatives like the Emerging Market Handset program.

tent or difficult to come by, especially in rural areas. The Motorola phone is priced to sell at less than \$30 in over 50 developing countries.

Since the phone became available in early 2006, over 16 million EMH phones have been ordered. This exceeds the program's initial target of 12 million phones. What makes this program sustainable is that while the profit margin on the \$30 phone is in the single digits, it is still profitable, so Motorola can continue supplying this market. Fifty cents of each phone sold (half from Motorola, half from mobile phone operators) goes to the GSMA Development Fund. The Fund focuses on projects in the developing world that seek to expand the usage of mobile

phones and develop ways in which mobile phones can be used to promote economic and social development.

For instance, one project that partners the GSMA, Motorola, Voxiva, MTN, Accenture, and the U.S. President's Emergency Plan for AIDS Relief focuses on using mobile phones as a way to assist health workers in the field. The Phones for Health partners are initially targeting HIV/AIDS in 10 African countries, building on an already successful deployment in Rwanda. The partnership is also likely to be extended further in Africa and Asia to address tuberculosis, malaria and other infectious diseases. The goal is to allow health workers to submit real-time health data as well as order medicines, send alerts, and view

## INDIVIDUAL EFFORT

### Chris Wilson: Taking the Direct Approach

In October 2007, Chris Wilson, manager of the Stonehill Capital hedge fund, made an appearance on CNBC Business News, not to pontificate on the economy or share some stock tips the way most guests do on the financial cable channel, but to talk about his decision to give money to a healthcare project in Africa.

Wilson said he had read a story in *The Wall Street Journal* about a project in southern Africa, the Pediatric AIDS Volunteer Corps, and he liked what



A Baylor Medical College program attracts donor interest because funds go directly to helping those who need it.

he saw. The project is operated by the Baylor Medical College of Texas through a \$22.5 million grant from the Bristol-Myers Squibb Foundation. Baylor is providing an additional \$10 million in medical school loan forgiveness to the volunteers. The Corps now has more than 250 pediatricians in 10 countries of southern Africa, serving two-year stints in the pediatric specialty clinics established by the B-MS Foundation's Secure the Future Program.

After reading the article, Wilson decided to contribute the funds to support one volunteer in 2006. He went on to establish regular e-mail contact with the AIDS volunteer he was supporting in Africa. In the process, Wilson's children

also got into electronic conversations and together the family learned about the devastating effects of this disease on children in Africa. This prompted Wilson to contribute additional funds in 2007 to support three pediatric AIDS volunteers, including one for each of his children. Now his children have a direct line to their AIDS volunteers in Africa.

The CNBC interviewer asked Wilson why he had chosen this project to support. The hedge fund manager responded that he wanted to know where his money was going, what it was going to do in terms of getting results, and he wanted to know that it went directly to the source of the problem. The Pediatric AIDS Volun-

teer Corps met those criteria. In the process, he said, he and his children have become educated about pediatric AIDS in Africa in ways they had never imagined possible.

Based on the continuing e-mail connection, which provided a virtual flow of clinical information on patients' outcomes to these donors, Wilson renewed his family's fiscal support for 2008, praising Baylor for the progress of the project and

promising further support. The value of this direct connection between Wall Street and volunteer sites in Africa has led so far to a personal contribution of \$945,000 for the alleviation of pediatric AIDS.

Most importantly, with the exception of bank fees, the transfer of these funds to southern Africa is almost entirely free of any transaction costs between the giver and the recipient. This is in stark contrast to a congressional study that found 53 cents of every dollar appropriated by the government to help fight AIDS globally wasn't getting beyond the beltway in Washington D. C., but remained with the government contractors.

—JEREMIAH NORRIS

treatment guides—all via mobile phone. As U.S. global AIDS coordinator Mark Dybul commented, “Ensuring high quality treatment and care services for HIV/AIDS patients requires innovative ways of providing timely, relevant information to both program managers and service providers regardless of where services are being delivered.”

Meanwhile, the EMH program is reducing the number of those who don't have access to mobile phones. Research has shown that mobile phones have a significant positive effect on economic growth in developing countries. As Erik Aas, CEO of GrameenPhone, puts it: “The GSMA Emerging Market Handset is a major step towards reducing the startup price, and will fuel significant economic growth, as well as major social changes, when so many new people can communicate directly from their home or on the move.”

—KEVIN WASKELIS

## INTEL EDUCATION INITIATIVE

### Teaching Computer Literacy

**P**endik is an industrial district on the outskirts of Istanbul, Turkey's largest city. Like many other areas adjacent to large cities, Pendik is growing rapidly, with new low and middle-income families migrating every day from rural areas in the hope of a better life. For children in peripheral towns like Pendik, the low level of income can bar access to computers. But in Pendik and several other locations in Turkey, the U.S. component manufacturer Intel has a presence, not as a seller of computer chips but as provider of technology literacy programs for both teachers and students.

In 2005, Turkey's National Ministry of Education partnered with the computer hardware company to take part in the Intel Education Initiative—a multifaceted program to promote the spread of information and communications technology (ICT) skills to students and teachers around the world. The initiative is based on the idea that ICT skills are of paramount importance in the creation of “knowledge societies”—a critical component of growth and development.

Established in late 2003, Intel's Learn Program—one of the programs within the larger Education Initiative—has actively promoted technological literacy through after-school programs in nine developing countries around the world. The program, which relies on collaborative teaching, is tailored to meet the specific needs of each country. In its first three years, the Intel Learn Program reached roughly half a million under-served youths worldwide between the ages of 8 and 16. With nearly \$100 million invested in this global project, Intel has sought out the help and collaboration of local and national governments, as well as non-governmental agencies to build local capacity and to foster sustainability.

Back in Pendik, Intel's Teach Program—another component program within the Education Initiative to train teachers in the use of ICT technology—has now paved the way for the introduction of the Intel Learn program in the region. Sinan Bastan, an elementary school teacher in one of Pendik's large public schools readily agreed to participate in the Learn Program after his experience in the teachers' program. “I liked the Intel Teach Program very much, so I said yes without hesitation,” he said. Aside from the approval of the teachers involved in the Learn Program, students and families from Sinan's school have also enthusiastically endorsed Intel's efforts. “Many parents told me that before attending the Intel Learn Program, their kids treated computers as gaming devices,” he said. “Now their kids have realized that they can use computers in all aspects of life.”

This appreciation of ICT technology as a vital tool in life, as well as Intel's pivotal role in extending the opportunity to under-served communities, is reflected in program completion rates. Even though the program is not compulsory, the average completion rate for all programs globally is 93 percent. The level of achievement based on students' final projects is also an indicator of enthusiasm for the program: 83 percent of final projects were rated as attaining the “highest level of achievement.”

Intel's efforts to expand technological literacy to the world's under-served communities promise to help developing countries create a skilled and technology-savvy populace. On a more local level, Intel's efforts give children, like those from Pendik, the opportunity to participate in and contribute to the growing global knowledge society.

—TAYLOR BOLZ

## MERCK COMPANY FOUNDATION

### Helping Cure Ethics Ills

**P**harmaceutical companies are often thought to restrict their corporate giving to isolated contributions in products, community service, or tax-free donations, but Merck's efforts in corporate ethics show that they sometimes go much further. Twelve years ago, there were few formal programs for promoting ethics in public and private sectors in developing countries. Identifying this need, the Merck Company Foundation invested in a long-term sustainable solution—the creation of non-governmental organizations (NGOs) on the ground that would promote ethical behavior in government and business to reduce corruption. Success of these centers would also yield a long-term benefit for businesses throughout the developing world by enforcing rule of law and transparent practices.

Partnering with a U.S.-based nonprofit organization, the Ethics Resource Center (ERC), Merck provided seed capital to establish independent ethics centers in Colombia, South Africa,

Turkey, and the United Arab Emirates. Once the centers were established, Merck agreed to provide continuing financial support, and the ERC agreed to provide the organizational ethics expertise until each center built its own internal capacity and stakeholders. By applying local knowledge to business ethics management, these centers influence the public and private sectors in their regions. They challenge business leaders by providing training on ethics issues, developing curriculum for schools, and educating the public on the importance of integrity, the rule of law, and transparent business practices.

In 2000, Merck provided financial support to establish the Ethics Institute of South Africa (EthicSA), a Pretoria-based nonprofit dedicated to advancing ethical practices in business, healthcare, and public policy. Among EthicSA's accomplishments, it has:

- Developed codes of ethics for several major corporations, mostly multinationals;
- Trained and certified over 90 ethics officers in the public and private sectors;
- Completed organizational ethics assessments (audits) of major companies, including one listed on the New York Stock Exchange;
- Published research projects in collaboration with organizations such as the United Nations Office of Drugs and Crime (UNODC);
- Chaired the ethics subcommittee of the King Committee on Corporate Governance, a South African panel which has produced two reports;
- Drafted industry standards for whistle-blower hotlines in South Africa, and getting all service providers to subscribe to an industry code of conduct;
- Published monthly articles in nationally syndicated newspapers on ethics issues;
- Co-edited a book on bioethics, provided the content (in the form of business ethics case studies) for a publication by the UN Global Compact, and was offered a book contract by a London-based publisher on managing ethics in the work place; and
- Completed several major engagements in 12 countries in West and East Africa most notably for the Tanzanian government and the central bank of Nigeria.

This investment has helped change the ethics landscape in South Africa for the better. EthicSA's impact demonstrates how it is possible to advance high ethical standards even in a challenging business environment. Most importantly, in supporting these independent local ethics centers, Merck has set forth a business model that combines local knowledge with international business ethics standards to promote best practices and best value in developing countries.

— JEREMIAH NORRIS

## GRASS ROOTS ACTION PVOs: \$10.6 Billion

Private and voluntary organizations (PVOs) contributed \$10.6 billion in private funding to the developing world in 2006. The Center for Global Prosperity (CGP) collaborated with the Urban Institute's Center on Nonprofits and Philanthropy (CNP) to determine private international giving to organizations that work in developing countries to foster economic development, address social needs, provide disaster relief, assist refugees, promote human rights, and implement environmental programs. The CNP's sample of over 4,300 PVOs used data from PVO "990" forms submitted to the IRS and information from USAID's Report on Voluntary Agencies. The analysis benefits from CNP collaboration with CGP's new partner on religious giving, the University of Notre Dame, and from consultation with the Billy Graham Center. This collaboration resulted in refined estimates for religious organizations and PVOs, as our research partners worked together to accurately attribute international private giving to its source and eliminate any possibilities of double-counting.

PVOs continue to work to improve their accountability and evaluation methodologies as do other private giving funders. InterAction, the largest coalition of U.S. PVOs focused on international development assistance, made self-certification a requirement for its member organizations. The Self-Certification Plus (SCP) process for PVOs encourages them to develop internal systems to make programs more effective, promote professional conduct, and improve accountability. InterAction is also working to promote and encourage indigenous community based organizations that are responding directly to needs of their communities. The Women, Faith and Development Alliance, a network of over 40 development, faith-based PVOs, under the leadership of a number of groups, including Interaction's Commission on the Advancement of Women and the Center for Global Justice and Reconciliation, mobilizes faith and development community organizations to empower women globally.

As with other sources of international private giving, PVOs are increasingly applying business models to traditional development challenges. For example, the One Acre Fund is a new PVO linking poor African farmers (those with less than one acre of land) to commercial markets. The program fosters entrepreneurial approaches that will improve the marketability of crops from small, individually owned farms. One Acre Fund founder Andrew Youn, a



graduate of Northwestern University's Kellogg School of Management, applies business school principles to the challenges of farming in rural Kenya. Based in Bungoma, Kenya, One Acre works closely with mostly women individual farmers, providing advice on growing and marketing produce attractive to international markets. The farmers are trained in successful agricultural techniques, provided seeds and fertilizer and assisted with crop monitoring. One Acre serves as a bulk seller, thus allowing crops to reach larger markets and to get higher prices. The Fund collects a small portion of the profits to defray expenses. Farmers are nonetheless making double what they made before.

## Value of Volunteer Time: \$2.2 Billion

**G**lobalization and the information revolution are increasing opportunities for international volunteering. Demographic and economic shifts are widening the pool of potential volunteers and leading to more flexible opportunities. The Internet is more efficiently "brokering" specific needs and volunteers with the right skills, bringing wider participation and the entirely new phenomenon of "virtual volunteering," enabling volunteers to assist international projects from home. Adventurous retirees and even vacation travelers can take advantage of volunteer opportunities, satisfying their altruistic instincts while enjoying the sights.

U.S. government interest in international volunteerism is reflected in the growth of the USA Freedom Corps' Presidential Initiative, Volunteers for Prosperity, as well as in pending legislation in the U.S. Congress. U.S. Senators Russell Feingold of Wisconsin and Norman Coleman of Minnesota introduced legislation in 2007 that would establish a Global Service Fellowship Program—a public-private partnership for providing fellowships to address financial limitations as "a common obstacle to volunteering overseas." Modest government fellowships would be awarded to potential volunteers, registered in advance with NGOs, faith-based organizations, and universities and colleges. These NGOs would "collaborate with host country organizations in developing programs that address local needs" in areas such as poverty eradication, universal primary education, reducing child mortality, improving maternal health, and housing. Consistent with trends to expand volunteer participation, promote effectiveness and document successes, the program would give priority to applicants who are from lower-income households, have prior community service experience, specialized skills needed abroad, and who will share their experiences with their communities upon their return to the U.S.

The Global Service Fellowship Program would be administered by the U.S. Agency for International Development

(USAID) in consultation with Volunteers for Prosperity, an interagency initiative established by President George Bush to encourage international volunteerism by skilled Americans working through U.S. nonprofits and private sector companies.

In a similar vein, multinational corporations increasingly are encouraging their employees to volunteer, a way of engaging employees in meaningful activities for the communities in which they work. An estimated 40 percent of major corporations support international corporate volunteering. A 2007 study by FSG Social Impact Advisors, a nonprofit organization that advances philanthropy and corporate social responsibility, concluded that corporations increasingly engage in corporate volunteering for strategic business reasons as well as traditional reasons of employee morale and corporate citizenship. They are now beginning cross-border programs where companies provide paid "release time" for employees to volunteer abroad. According to the study, "Volunteering for Impact," which was sponsored by Brookings Institution's International Volunteering Project and Pfizer, international corporate volunteer programs have the most impact when they "leverage the human assets and vast technical skills of a company."

International tourists have a growing number of "altruistic travel" options, mixing traditional sightseeing and recreation with opportunities to volunteer. The travel industry has partnered with international development organizations to design trips combining leisure and service. Tourists teach in local schools, deliver medical supplies, assist in preserving endangered species, and build houses. Tours are offered at all levels of the price spectrum, engaging a wide range of ages and professions in projects of varying intensity and duration that satisfy the need to "make a difference." In a 2007 article in the USAirways magazine, "Travel With a Heart," one altruistic traveler says "I [know] I'm not going to change the world. I'm not going to cure cancer. But I can make a difference....[W]hat you can do is hopefully impact one person's life...."

The ubiquity of the Internet has affected international volunteerism just as it has had an effect on charitable giving broadly speaking. Sites such as [volunteermatch.org](http://volunteermatch.org) and [universalgiving.org](http://universalgiving.org) offer easy-to-find matches between service organizations and potential volunteers as well as opportunities for virtual volunteering. Universal Giving's site permits potential volunteers to enter their areas of substantive interest and geographic preferences, along with their ideal times of availability, to produce with the click of a mouse a list of potential opportunities. Browsers can sift through focus areas and regions and use links to get detailed information on the substance of the opportunity as well as up-to-date contact information.



Based on an analysis of data collected in a partnership of the U.S. Census Bureau, the Department of Labor's Bureau of Labor Statistics (BLS), the U.S. Corporation for National and Community Service (CNCS) and the USA Freedom Corps, and data on the 2006 average hourly wage produced by Independent Sector, we determined that American volunteers contributed at least \$2.2 billion worth of time in 2006 volunteering for development assistance causes abroad and for international assistance organizations in the U.S. The figure derives from the most recent available comprehensive survey of U.S. volunteerism, the volunteer supplement to the Current Population Survey (CPS) conducted by the U.S. Census Bureau in September 2007.

In "Volunteering in America: 2007 State Trends and Rankings in Civic Life," the CNCS's analysis of the volunteer data, the CNCS estimates that 26.7 percent of Americans volunteered in some capacity in 2006. Among these 61.2 million volunteers, 8.1 billion volunteer hours were dedicated to domestic and international volunteerism, even while discounting the volunteer hours of the 5.3 million people who reported participating informally by "working with their neighbors to improve the community."

Our estimate for 2006 volunteer time is lower than our 2005 figure, possibly resulting from a change in the sources and methodology we used, in order to have the most current metrics, as explained in the Methodology section. The new sources indicate a drop in volunteer numbers. Previous *Indexes* calculated volunteer hours based on a 2001 Independent Sector study that has not been updated. The current approach takes into consideration the differences in hours contributed to international development assistance causes while volunteers traveled abroad or volunteered within the U.S., possibly accounting for some of the reduction. Furthermore, the total number of reported volunteers and hours contributed have dropped between 2005 and 2006, even while using identical sources. For this period, the BLS reported a drop of 4.2 million volunteering and a decrease of 100 million volunteer hours. The survey reported a similar decrease in the subsets of American volunteers who served abroad for all types of organizations to 867,000 from 979,000, as well as a decrease in Americans volunteering specifically for international organizations whether abroad or in the U.S. to 470,000 from 528,000.

So even while new technologies and new kinds of volunteering opportunities expand the range of choices for volunteers for international causes, hours volunteered have dropped. This phenomenon parallels the drop in U.S. volunteerism overall reported by the CNCS in its 2007 State Trends Report on 2006 and by the BLS in its analyses of the Census Bureau's Current Population Survey for

2006. Professional experts on volunteerism with whom we consulted say it's hard to speculate on the reasons for the decline without additional study.

UNITE FOR SIGHT

## Bringing Sight to Many

Sunil, a nearly blind Tamil man in his late 50s, stumbled into the Unite for Sight Mobile Clinic in a slum of Chennai, India, hanging onto his daughter for support. An American volunteer began the exam with a simple penlight evaluation of Sunil's eyes. Both of the patient's pupils, normally black, were a brownish-yellow hue. The volunteer then brought Sunil back to the local ophthalmologist, who used a slit-lamp to examine Sunil's eyes in detail. The eye doctor confirmed that Sunil's lenses were opaque, indicating a diagnosis of bilateral mature blinding cataracts. Sunil was peering out through the optical equivalent of stained glass windows. The man's only



An American volunteer examines a local patient at Unite for Sight's mobile clinic in Chennai, India.

hope of regaining his vision was an operation that he could not afford without Unite for Sight's sponsorship.

The next day, a Unite for Sight bus picked up Sunil in front of his government-built shanty. The patient was transported to the Uma Eye Clinic, designated one of the top five ophthalmology clinics by a prominent Chennai newspaper. After a thorough pre-operative evaluation, he underwent cataract surgery, using the same technique as that in most American hospitals. The next morning, a post-operative exam showed that his vision had improved to nearly 20/20 in both eyes. Sunil was then driven home, ready to restart an independent life. Unite for Sight had provided Sunil with the medical care, education, and transportation that he otherwise could not have access to, all free of charge.

Stories like Sunil's are commonplace at Unite for Sight clinics. Founded in 2000, the organization has provided eye screening to over 400,000 people, sponsored sight-restoring surgery to over 6,000 patients, and distributed over 200,000

pairs of glasses through 90 chapters worldwide.

Jennifer Staple, Unite for Sight's founder, president and CEO, started the organization as a Yale undergraduate. She observed that people in New Haven were going blind from glaucoma due to the lack of screening and preventive care. In response, Staple worked with churches, schools, and other community organizations to provide free, easily accessible eye screening and education. Major supporters include foundations, corporations and the U.S. Agency for International Development.

According to Staple, "What started with a single volunteer has now grown to a force of 4,000 volunteers worldwide who are dedicated to targeting the more than 36 million people with undiagnosed and untreated cases of blindness." As 80 percent of blindness is preventable or treatable, Unite for Sight can have a significant impact.

However, Unite for Sight has only just begun in the hard work of eliminating preventable vision loss. In India, for example, 8.9 million people are blind. Over 5 percent of adults above the age of 50 are affected by cataracts, the most common cause of vision loss.

The major barriers to eye care in developing countries include lack of awareness of treatment options, poor access to care, and prohibitive costs. Unite for Sight's model of operation aims to break down those barriers. At each site, Unite for Sight arranges teams of eye professionals and volunteers to visit underserved communities for screening events. Patients with refractive error are given free pairs of glasses. Those with medically treated diseases are provided with the necessary medications. The people who, like Sunil, are diagnosed with cataract blindness are offered prompt surgery. As Unite for Sight partners with established local eye clinics, each patient has access to adequate follow-up care.

Unite for Sight's impact can be seen clearly in the work of Dr. Seth Wayne in northern Ghana. Dr. Wayne is the only eye doctor in an area with 2 million people. Despite the huge demand for eye surgery, Dr. Wayne often went months between cataract operations prior to his partnership with Unite for Sight, due to his patients' inability to afford the \$35 cost of surgery. With Unite for Sight's assistance, Dr. Wayne provided 246 sight-restoring cataract surgeries in the first three months of the partnership.

Jennifer Staple plans to extend Unite for Sight's reach beyond eye care. In 2005, she launched the Buduburam Microenterprise Initiative in the Buduburam refugee settlement in Ghana. The program contracts with previously unemployed women to make eyeglass cases and jewelry. Those items are sold over the Internet, thereby giving the refugees an income while supporting the camp's eye-care operations. Several similar programs are currently under way in other impoverished regions.

Unite for Sight's goal is to create eye disease-free communities and eliminate avoidable blindness. While its statistics are

impressive, the organization's impact may be best appreciated by witnessing the individual lives it touches. Thanks to Unite for Sight and a 30-minute cataract operation, Sunil and thousands like him have been given the gift of vision.

—LEON ADELMAN

## HEIFER INTERNATIONAL

### Not a Cup of Milk, But a Cow

Lorfu Aisam did not have it easy. Prior to 1996, he lived the traditional life of the Yellow Lahu people in Thailand, a life of subsistence scratching out a living from a small plot of land. After the Yellow Lahu were removed from their ancestral land in 1996, Lorfu Aisam worked as a day laborer, making only 50-80 Baht (\$1.50-\$2.40) a day. And because there was no farmland in the Haui Pa Rai village, members of his family had to gather food from the jungle daily. Burdened by the hardships of day-to-day life, Aisam did not have a plan for



Heifer International sponsored this cow in Thailand to provide sustainable relief from hunger rather than just one-off help.

his future or that of his family.

Heifer International, an Arkansas-based nonprofit that fights hunger in developing countries, helped change the situation. After receiving private donations and forming a partnership with a local NGO, Heifer International-Thailand (HIT) came to the Haui Pa Rai village in 2002 with knowledge of husbandry. Heifer International's principles for sustainable development—its "12 cornerstones," and 19 water buffalo. The project was simple. With the partnership formed with the Community Livelihood and Environmental Development Project, an NGO established by the Yellow Lahu, HIT was able to identify the needs of the tribe and work with them to provide extensive training in husbandry to manage the livestock, and to educate them in Heifer International's cornerstones, designed to guarantee sustainability in its projects through principles ranging from "improved animal management" to "spirituality." After the training was completed and the tribe promised to uphold the 12 cornerstones, HIT brought

the water buffalo to the Haui Pa Rai village and Lorfu Aisam received one of them. With the money he raised from the water buffalo's output, he was able to stop selling his labor day-to-day, build a permanent housing structure, send his children to school and start a savings account.

Lorfu Aisam then went along with the Heifer International tradition of "passing on the gift." Once Aisam's water buffalo had an offspring, he was obligated to pass it on to another family in need to ensure sustainable development. The offspring was passed on to Jasaan Sangken, who described the impact of receiving the gift as follows: "Before we didn't have enough money, but the water buffalo is very valuable. When we first received it, we all wanted it to be our individual property. Instead, as a family, we took shifts raising it in the mountains. The water buffalo strengthened our family relationship."

The transformation of the lives of Lorfu Aisam and Jasaan Sangken is not an isolated incident. Heifer International was started by Dan West, an American farmer, who returned from volunteer work during the Spanish Civil War with the idea of combating hunger by helping people grow their own food on a sustainable basis rather than provide only temporary relief with food aid.

The impact that the water buffalo project and other HIT projects have had on the Yellow Lahu tribe is remarkable. Sai Naiko, an elder of the Yellow Lahu, says that in addition to increasing opportunities for education, a stable income, and more permanent housing, the projects have enabled the Yellow Lahu to create a community-wide savings program. The program began in 2003 with 2,000 Baht (\$61) and increased in four years to 990,000 Baht (\$30,000) with 98 members. For Jasaan Sangken, the savings program is not about the money, but the impact it has had on the village. "With the increase in savings came the knowledge that there was a future, so we held a meeting to brainstorm on how to create a sustainable and peaceful community," he said. "We made alcohol illegal in our village and created a board to resolve community conflicts, so that we could keep moving forward."

The Yellow Lahu have also empowered other local communities. They participate in "passing on the gift" to other villages in the form of livestock and knowledge of husbandry and savings. Sai Naiko said that since his people have gained the respect of those outside their village, they are no longer ashamed of being an ethnic minority. "Before, we watched our backs, because the other villages judged us," he said. "It was stressful. After we provided for ourselves through the assistance of HIT, we gained the respect of the other villages and government." Now the Yellow Lahu participate in the traditional festivals of other communities. They have also received support from the government in the form of a road, a solar panel, and welfare for the elders.

It is this type of impact that Heifer International has been making throughout Thailand, Laos, and Myanmar for over 30 years through the formation of partnerships with local NGOs,

the transferring of knowledge and skills to individuals, and the belief in sustainable development through the 12 cornerstones —a long way from that time when Dan West decided to give a cow instead of a cup of milk. —CATHERINE FISHER

ASHOKA

## Social Entrepreneurs Bridge Ethnic and Religious Divides

In 1992, in the state of Kaduna in Nigeria, Muslim fighters murdered Pastor James Movel Wuye's bodyguard, severing his right arm and leaving him to die. Around that same time, Imam Ashafa's religious teacher was killed by Christian militias. These tragedies left both Pastor Muye and Imam Ashafa embittered over the fighting and would have led to more violence had they not heard words of forgiveness from religious leaders in their communities. In 1995, both men put away their violent pasts and worked together to reconcile the Nigerian Muslim and Christian communities' differences.

Fighting between Muslims and Christians has left many wounded and dead in northern and central Nigeria. Not only does this take a toll on the people, but also on the political and economic stability of the country. People leave their towns when sectarian hostility flares up between the two religious groups. Moreover, foreigners feel that their investments in a turbulent area are not secure. But Rev. Wuye and Imam Ashafa are changing this. They use inter-faith conciliation to bridge the divide between the country's Muslims and Christians.

By founding the Muslim-Christian Dialogue Forum and the Interfaith Mediation Center, Pastor Wuye and Imam Ashafa used discourse to promote peace and tolerance. It took a year to promote the idea and find a place to host it. "People came with daggers in their pockets that day," Pastor Wuye told the press. "Both parties came prepared for the worst." But the event turned out to be a success. By using texts and sayings from both religions, Pastor Wuye and Imam Ashafa established a common ground for the Muslim and Christian communities. In addition to using religious doctrines, the organizations promote mutual respect and mediation to resolve disputes. If an agreement is not settled on by the people who are in conflict then the state is called on to act. This model of cooperation and understanding has been implemented in other countries as Pastor Wuye and Imam Ashafa have traveled to Bosnia, Kenya, Netherlands and southern Sudan to spread their message of inter-faith tolerance and reconciliation over past attrition.

The work of these two men was supported through the efforts of Ashoka, a group that finds and supports "social entrepreneurs." A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize,

## Maureen Orth: Peace Corps Lifer

Most of the 188,000 Peace Corps volunteers who rallied to President John F. Kennedy's 1961 call to ask what they could do for their country have embraced the notion that their service was part of a lifelong commitment rather than just a single episode. While much attention is paid to their time in service abroad, less is known about their contributions to society once they return home. The Peace Corps Act stipulated that volunteers should continue in the spirit of their active service in whatever fields they chose to enter.

Returned volunteers give testimony to that goal in various areas of America's social, political and economic culture. In arts and letters, for example, there is Paul Theroux (who volunteered in Malawi), author of the novel *Mosquito Coast*; in business and industry, Edward Dolby (India), president, Bank of America; in communications, Chris Matthews (Swaziland), host of MSNBC's "Hardball"; in nonprofit and development, Carol Bellamy (Guatemala), executive director, UNICEF; in government, Christopher Dodd (Dominican Republic), Democratic Senator from Connecticut and Ronald Tschetter (India), current director of the Peace Corps; in education, Donna Shalala (Turkey), president, University of Miami and former cabinet member; and in the Foreign Service, Christopher Hill (Cameroon), assistant secretary of state and chief negotiator for North Korea's nuclear disarmament program.

Many former volunteers are actively engaged in community activities that benefit disadvantaged groups. One of these is Maureen Orth, a former volunteer in Colombia during the 1960s, who became a prominent journalist for such

publications as *Newsweek* and *Vogue*, and was a network correspondent for NBC News. In her present position as special correspondent for *Vanity Fair*, she has profiled Russian President Vladimir Putin, British Prime Minister Margaret Thatcher, Argentine President Carlos Menem, and Irish President Mary Robinson. In voluntary community activities, Maureen helped to begin an inter-



Schoolchildren at the Escuela Marina Orth in Colombia benefit from one Peace Corps volunteer's continued dedication.

generational residence for homeless mothers in New York City. She and her husband, Tim Russert of NBC News, have a high profile in Washington, D.C. social and philanthropic circles.

As a Peace Corps volunteer, Maureen was assigned to the isolated, rural community of Aquas Frias in the mountains outside of Medellin, Colombia's largest industrial center. After she helped villagers build a school for their children, neither the school nor its students were forgotten when Maureen returned home to start her career in journalism. She made repeated visits to the school, bringing textbooks, instructional materials for the teachers, and much-needed school supplies. In recognition of her continuing commitment to these students, public education officials renamed it the Marina Orth Rural

School, using the Spanish form of her first name.

Maureen then established a foundation whose operational arm is the Fundacion Marina Orth in Medellin and the fundraising arm is the K12 Wired Foundation in the United States. The foundation promotes technology at the primary and secondary educational levels.

At the request of Medellin's secretary of education, the foundation is developing a comprehensive IT curriculum in English, making this the first public bilingual school in the country. Fundacion Marina Orth has attracted support from Goldman Sachs, which donated 10 computers, and Intel, which donated 15 computers while promising wireless connectivity for each classroom as well as teacher training for the school.

The Colombian government wants all of its schools to provide English classes. While Peace Corps volunteers haven't served in Colombia since 1982, when violence connected to the drug trade forced the Peace Corps to close down the program, retired volunteers are now being recruited by the K12 Wired Foundation to return. They will work to develop a pilot program in English and information technology with teachers and students at the Marina Orth Rural School. After testing there, the project will be expanded throughout the country.

Maureen's dedication to the primary school in Aquas Frias in Colombia is just one example of how Peace Corps volunteers have sustained their fire of idealism in ways which have transcended time and space. Giving of oneself to service on distant shores is more than just a two year commitment.

— JEREMIAH NORRIS





Ashoka Fellows Imam Mohammed Ashafa, left, and Pastor James Wuye put aside their bitterness to set up an Interfaith Mediation Center.

create, and manage a venture to make social change. These social entrepreneurs then are designated Ashoka Fellows and receive financial aid and other support from Ashoka. Founded in 1980 by Bill Drayton, a former Rhodes Scholar and McKinsey consultant, Ashoka has been a pioneering group in supporting positive change makers abroad. For instance, Mohammad Yunus, founder of the Grameen Bank in Bangladesh and a member of Ashoka's Global Academy, won the Nobel Peace Prize in 2006 for promoting development with microfinance.

Ashoka (meaning in Sanskrit "the active absence of sorrow") was named for the 3rd century B.C. emperor who unified India, renouncing violence and dedicating his life to social justice and economic development. Currently, Ashoka works in some 60 countries in Africa, Asia, the Middle East and Latin America, supporting more than 1,800 fellows. All of the fellows undergo a critical examination, which, after more than 25 years of refinements, ensures their commitment to social change and their ability to make a positive impact.

In order to be selected as a fellow, a candidate has to measure up to five criteria. The first is that the idea or solution has to be a new approach to a problem. Next, the candidate has to demonstrate creativity in setting goals and achieving them. One of the most relevant characteristics is entrepreneurial spirit, the ability to see opportunity and make substantial efforts to change. Ashoka also examines the ideas of the candidate that set them apart from the status quo. The final question is one of trust—if the Ashoka group cannot trust the potential fellow absolutely, then he or she will not pass.

Once the candidate passes all of the rigorous criteria, Ashoka supplies these new fellows with a living income for a period of three years as a rule, allowing the entrepreneurs ample time to concentrate fully on building their foundations and continuing to work on their mission. The organization, which started out with a budget of \$50,000, now has revenue of \$30 million a year. In addition to helping individual change makers, Ashoka helps maintain a network among social entrepreneurs to share valuable data. Rather than spending an exor-

bitant amount on foreign contractors, Ashoka invests in the local population. Ashoka invests in civil society, where individuals have the power to make an impact in their community. The Ashoka fellows work in a great variety of fields including civic engagement, economic development, environment, health, human rights and education. By linking different fellows and their projects, the Ashoka program bridges traditional gaps between the private and public sectors as well as ethnic and religious lines.

—CAFER ORMAN

## ACUMEN FUND

### Leveraging Capital with Business Smarts

While keen business acumen is standard equipment for successful venture capital firms in Silicon Valley, it's not been a quality often associated with philanthropy. But one small nonprofit firm has been working to change that.

Acumen Fund has declared as its mission to "prove that small amounts of philanthropy capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor." Jacqueline Novogratz, a Stanford M.B.A who worked at Chase Manhattan and the Rockefeller Foundation, founded the group in 2001. Acumen, headquartered in New York, has already invested more than \$20 million of the private donations it has received in more than a score of enterprises in Africa, India and Pakistan.

Where does this finance go? For instance, \$1.25 million went to Kashf Foundation, a micro-lending institution for women in Pakistan. Through low-interest credit, Kashf has reached 100,000 families, positively affecting over half a million people. The affordable loans and insurance provide poor households with sustainable economic opportunities to lift themselves out of poverty. Despite being started only 12 years ago, Kashf is now the second largest private micro-lender in Pakistan and has been financially sustainable since 2003. In 2007 alone, it closed over \$36 million in commercial deals with local and international banks. Another \$1 million went to A-Z Textile Mills, a Tanzanian firm producing anti-malaria bed nets. The company sold 7 million of its nets by the end of 2006, while employing 5,000 people, 90 percent of whom were women. Because of these nets, 5 million people can sleep without the fear of contracting malaria. A further \$900,000 was invested in Water Health International (WHI), a firm that developed and uses innovative technology to purify water. WHI community water systems deliver clean and affordable water to more than half a million people in India alone. Its technology is currently in use in the Philippines, Mexico and Sri Lanka.

Acumen's investments may not seem very spectacular compared with the billion-dollar projects of venture capital



firms. But the results are nonetheless significant—the fund has helped create more than 20,000 jobs in its 24 enterprises, and provide critical goods and services to millions of people.

These results are not by chance. The investments—split among the four broad portfolios of healthcare, housing, water and energy—are carefully selected. They have to be. Both social and financial returns are expected. To fulfill their goal of building financially sustainable firms that can deliver low-priced, essential goods and services to the world's poor, Acumen needs to provide strong managerial support and sound financial investment. The key ingredients for business success—design, marketing, pricing and distribution—are applied in entrepreneurial models designed for the poor. Coupled with the right amount of finance, this leads to self-sufficiency and growth. Each project is evaluated for its financial sustainability, social impact and scale and cost effectiveness.

All this is possible thanks to Acumen's impressive team of 38 full-time employees and extensive network of donors and advisors. The fund, which raised \$48 million in 2007 on the way to its goal of \$100 million, employs individuals who have experience in more than 50 countries, in fields ranging from investment banking and management consulting to environmental protection and government. Investors and advisers come from the worlds of both philanthropy and business. Donors include Google.org, the Bill and Melinda Gates Foundation, and the Rockefeller Foundation, as well as numerous individual donors, while McKinsey & Co. and Goldman Sachs feature among the advisers.

This experiment in philanthropy is a departure from existing practices in the field, proving that business basics have their place even in charitable giving. It does what the private sector excels at—delivering goods and services at the lowest cost to those who need them the most. Acumen Fund performs as advertised.

—DAVID JOHN BAKER

## MAKING A BETTER FUTURE

### Universities and Colleges: \$3.7 Billion

After several years of decline after 9/11, the number of international students in the United States increased in the academic year 2006-2007. "Academic year 2006/07 was a turning point in the United States' history of hosting international students," says Dr. Allan Goodman, president and CEO of the Institute of International Education (IIE), the Center for Global Prosperity's partner for universities and colleges. Following no significant increase in the

school year 2002-2003 and three subsequent years of decline, 2006-2007 saw a 3 percent increase in the number of international students enrolled in the U.S. over academic year 2005-2006. There was an even greater increase in the number of new international students arriving in the U.S. to begin their studies—10 percent. According to *Open Doors*, IIE's annual report on international student trends, these are the first significant increases since 2001-2002. These developments were applauded in the U.S. higher education community, which historically welcomes foreign students for their significant contributions to campus, community and U.S. intellectual and cultural life.

Americans continue to be generous in their support for international students. According to an analysis of IIE figures, Americans gave a total of \$3.7 billion in private support to students from the developing world in the 2006-2007 academic year. This figure includes funds provided by U.S. colleges and universities and private sponsors including foundations, businesses, and religious organizations. Detailed calculations appear in the Methodology section on page 68. For nearly 30 percent of international students, the U.S. college or university or a U.S. private sponsor was the primary source of funding, a proportion exceeded only by international students' own personal and family sources.

IIE reports that for the 2006-2007 academic year, 45 percent of international students in the U.S. were enrolled in U.S. graduate programs, 29 percent in undergraduate programs, 12 percent in Associate's programs, and 14 percent in other academic programs such as intensive English language, non-degree or practical training programs. The Council of Graduate Schools (CGS) most recent survey covering the 2006-2007 academic year indicates an increase of 7 percent in total international graduate enrollment for this year compared with an increase of 1 percent in the previous year. For all international students, business and management, engineering, and the physical, life and social sciences remained the top fields of study, accounting for specializations of over 50 percent of students.

The \$3.7 billion consisted of scholarships, grants, and other support provided by individual colleges and universities (95 percent) and contributions from private sponsors (5 percent), including NGOs and multinational corporations that sponsor their employees and dependents for study in the United States.

The U.S. continues to welcome students from the developing world. In the 2006-2007 academic year, 60 percent came from the developing world. Of this group, 61 percent came from Asia, 18 percent from Latin America, 10 percent from Africa, 5 percent from the Middle East, 5

percent from Europe, and less than 1 percent from Oceania.

Student and other visa applications dropped following the terrorist attacks of September 11, 2001, according to the U.S. Department of State's Bureau of Consular Affairs. An attendant decline in international student enrollment is generally attributed to the revised visa process for academic year 2003-2004, as are further declines for the following academic years. Responding to the drops in enrollment and in support of the U.S. interest in continuing to welcome international students, the U.S. government then focused on simplifying and expediting the student visa process, an effort that resulted in 600,000 student and exchange visitor visas issued in fiscal year 2007 (October 2006-September 2007). This record number represents an increase of 10 percent over the prior year and approximately 15 percent more than were issued in the year prior to the 9/11 attacks, confirming the trend.

#### BUSINESS SCHOOL PHILANTHROPY

### It's Not About the Money

“My past experience volunteering for various community projects showed me that I would never be satisfied working solely for money and that I wanted a career where I could help the needy directly,” says Simone Lee, an M.B.A. student at the University of Pennsylvania's Wharton School. Lee and 50 other students taking part in the Wharton International Volunteer Program (WIVP) are motivated by an eagerness to combine their knowledge of business with an interest in helping the world's needy. In 2004, the students participated in 21 projects in Africa, Asia, and Latin America that focused on issues ranging from health care and education to micro-finance.

Lee's project was to develop a fundraising strategy for Kherwadi Social Welfare Association, a 75-year old non-governmental organization in Mumbai, India that provides vocational training for people in the surrounding slums. Lee and her team formulated a plan to solicit funds from financial and information technology companies to support the NGO.

Other WIVP projects have integrated strategic and financial planning skills—the core of their business school curriculum—with hands-on, real-world projects. This collaborative effort between M.B.A. students and local NGOs in developing countries highlights a growing interest among students in merging business sense with philanthropy outside the ivory tower of academia and into the trenches.

For students at the Tuck School of Business at Dartmouth College, the connection between business students and philanthropy seems mutually beneficial as well as timely, especially

given the spate of natural disasters in recent times. After the 2004 tsunami, Saikat Dey, an M.B.A. student at Tuck, realized that his business skill set could help fishing communities get back on their feet after the devastation. “In these communities there's usually one profession that sustains a whole village,” says Dey. “In southern India, that's often fishing—so one key skill an M.B.A. student can contribute is awareness beyond the obvious to help people to become aware of the opportunities beyond fishing.” Aside from the immediate task of rebuilding the community and the fishing industry that supported it, Dey envisioned a micro-credit program to help the village sustain itself in the long run. This ability to see the larger picture and more importantly, to see the possibilities that lie ahead, makes the work of M.B.A. students in these areas all the more important.

Competitive grants for socially conscious and sustainable business endeavors offer M.B.A. students another opportunity besides directly volunteering to apply their skills toward real-world entrepreneurship. In 1999, students from Berkeley's Haas School of Business founded the Global Social Venture Competition (GSVC)—a competition pitting M.B.A. students around the world against each other to see who can come up with a business plan that promises both high economic and social returns. GSVC awards cash prizes to the winners and judges business plans on sustainability as well as the ability of the plan to show “a demonstrably greater impact on its social return on investment than existing firms in the industry.” Since the inception of the competition in 1999, Columbia Business School, London Business School, the Indian School of Business, and the Yale School of Management have partnered with Berkeley to oversee the competition, representing a concerted effort in the business school community to promote the idea of socially conscious entrepreneurship.

Winners of the competition include a team from Columbia Business School and Indian business school BITS Pilani who came up with the idea to bring affordable and high-quality healthcare services to rural India in a venture they call Mobile Medics. The team captured the grand prize of \$25,000, which will be used to get Mobile Medics up and running. Another team from the Sloan School of Management at MIT won the Social Impact Assessment Prize for developing a plan to provide temperature-controlled, portable storage units to deliver vaccines to people in developing countries. The team has estimated that as many as 4.3 million lives could be saved by their venture.

Such interest among business students in philanthropic efforts in the developing world bodes well for future private-sector involvement, as these students represent the future business leaders. Through direct volunteering and the creation of business solutions to development conundrums, students are realizing that business and philanthropy are not mutually exclusive concepts but in fact quite a symbiotic pairing.

—TAYLOR BOLZ

## Changing Lives Instead of Playing Beach Volleyball

Every year, hundreds of Southern California college students flock to the beaches of Mexico for spring break. But Patrick Furlong, an undergraduate at Loyola Marymount University (LMU) in West Los Angeles, wasn't one of them. Instead, motivated by his long-time commitment to education and social justice, Patrick spent his time participating in service immersion trips through LMU's Alternative Breaks (AB) program. On his first AB trip, Patrick built homes in a poor community in Appalachia. Every year after that, he made another alternative break journey: Building a women's center in Guatemala, forging relationships at a community center in Ecuador, and working with local coffee farmers in the Dominican Republic.

Patrick's AB experiences have touched and transformed him in powerful ways. "I have seen poverty in a light that defies romance and beauty," Patrick says. "Since I returned from the Dominican Republic, poverty is more than something I look at from afar, it has a name: Tata, Yihara, Robby, Leo, Amouris, and Juan. Through the AB program, service has become more than something I just do; it has become a core part of who I am." But for Patrick, the impact has been more than personal and spiritual. His experiences working with the poor during his spring vacation prompted him to change his career trajectory by taking two years to volunteer in Latin America. "I have come to know the reality of the rest of the world in such a way that I can no longer turn a blind eye to it," Patrick says. "I want to be part of the change."

The daughter of Salvadoran immigrants, Melissa Alvarenga also became deeply committed to LMU's Alternative Breaks program as an undergraduate. Melissa learned about the Salvadoran civil war in San Salvador, explored the dynamics between Dominicans and Haitians in the Dominican Republic, mourned the disappearances and murders of the women of Juarez in Mexico, and discovered indigenous Mayan traditions in Guatemala. Melissa writes of her experiences: "Mother Theresa believed that 'we cannot do great things, only small things with great love.' The immersion trips that grounded my transformative college experience were about the small things that each student could do in their everyday lives. The trips were about learning and living the daily experiences of someone different from myself. Each Alternative Break was revolutionary, expanding the bounds which keep humans categorized by nation, economics, color, and language and replacing those things with examples of love."

Patrick and Melissa are examples of how Alternative Break programs can shape the lives of college students while providing substantive help to the needy. Since the program's inception in 2002, LMU students have been able to choose among 15 different destinations, from Northern Ireland to San Francisco. Groups comprised of 12 students—including two student lead-



Students paint the side of a building in Tinguistengo, Mexico, site of an alternative spring break trip offered by Loyola Marymount University.

ers—and one staff or faculty member work on issues like HIV/AIDS education, hunger relief, sustainable development, and immigration. In each case, the program aims to "promote service and cultural exchange on the local, national, and international level through hands-on, community-based learning." Through cultural immersion, personal reflection, and spiritual examination, students become more aware of the structures that perpetuate social injustice and develop innovative solutions to the world's most pressing issues.

And it doesn't stop with them. Upon their return, AB students host a university-wide event to tell their peers about their experiences and encourage community action. Students like Patrick and Melissa often struggle with how to answer the call to justice, but are able to imagine creative ways to incorporate lessons learned abroad into their everyday lives. For some it means adopting a weekly service commitment, for others it means creating their own nonprofit, and for Patrick it meant living with the poor for two years after graduation. In any case, it seems this program is having a significant impact on those who dare to participate.

—ADRIENNE TYGENHOF

### ROCHESTER INSTITUTE OF TECHNOLOGY

## Helping Revive Croatia's Tourism Industry

By the time the shelling of Dubrovnik ended in early 1992, more than two-thirds of the buildings in the Old Town, a UNESCO World Heritage site, were hit by projectiles. More than 200 people were killed in this Croatian city along the Adriatic coast. Dubrovnik, once a popular tourist destination in the former Yugoslavia, was severely damaged and its people stunned by the brutality and senselessness of the siege.

After the Dayton/Paris peace agreements were signed in 1995, the Croatian government sought to regenerate its war-torn economy, including the tourism sector. Croatians realized

that in order to revitalize tourism, they needed a local workforce skilled in contemporary service sector management. The government contacted the U.S. State Department for an American partner to help with their redevelopment plans and was referred to the Rochester Institute of Technology (RIT) in Rochester, N.Y. The institute had a good reputation, due in large part to RIT's successful M.B.A. program in Prague.

RIT agreed to develop the American College of Management and Technology (ACMT), which opened in Dubrovnik in 1997. ACMT is a partnership between RIT, the Croatian government, and the University of Dubrovnik. At the start, ACMT offered a two-year degree in hospitality and tourism manage-



Students from the American College of Management and Technology in Dubrovnik, Croatia are working during a community service day.

ment, and since then has added associate's and bachelor's degrees in hospitality and service management, a master of science in service management and certificate programs for local business professionals. Some 1,500 students have graduated from ACMT since 1997 and over 150 students are enrolled each year. About half of the courses are taught by American professors and half by faculty members from Croatia.

ACMT was a true public-private partnership. Initial funding came from the Croatian government, which supplied the facility and subsidies for Croatian students to keep tuition low. RIT paid for initial development costs for the project, and the investment in a new building two years ago. The U.S. State Department chipped in after the program was up and running with grant funding for some of the training programs. And, finally, USAID provided funding for some scholarships for students from Montenegro.

As in any true partnership, the benefits of the ACMT are enjoyed both by Croatia and the United States. For Croatia, RIT brought a pedagogical style that is more focused on practical knowledge and experience as opposed to theoretical concepts, adding a positive new element to higher education in the country. One of the first students, Ivan Bavecic, recently told RIT's university magazine: "The experience was amazing from the beginning. It was something totally different than what I was used to in education here." Bavecic now has his own consulting company.

When ACMT opened there was only one other private institu-

tion of education in the entire country. Due in part to the success of ACMT as a private tuition-based institution, there are now 15 private institutions of higher education in Croatia. ACMT, after initial support from the Croatian government, is now fully funded from students' tuition, making the program sustainable for the long run. Furthermore, ACMT has been a catalyst in the reconstruction of the tourism industry. About half of the students come from Croatia and a majority of them stay in the country to work. Another early graduate, Petra Starcevic, worked for a while in the United States, but returned to Croatia to help open the Dubrovnik Palace Hotel. Petra now works for the British Council in the capital city of Zagreb, helping to implement the country's civil service reform program.

For its part, the Rochester school also benefits from this partnership because it enables professors to gain valuable international perspectives by teaching in Croatia. There are also plans to increase the number of American students from RIT who study abroad in Dubrovnik.

The story of RIT in Croatia is an example of the growing trend of U.S. colleges and universities to establish branch campuses abroad, especially in the developing world. There is no central registry, but the Observatory for Borderless Education suggested recently more than 100 facilities fit the definition for an international branch campus. The vast majority have been established since the mid-1990s, and the campuses are concentrated in the Middle East and Southeast Asia, with growth currently occurring in India, China and Central Asia. The *Chronicle of Higher Education* noted that the difficulty for some foreign students to get visas to study in the United States in the wake of 9/11 has added further impetus to the opening of branch campuses.

The Dubrovnik campus of RIT is all the more striking because it began just two years after the Dayton/Paris Agreement, making it an important part of the reconstruction effort. The city of Rochester in snowy upstate New York may seem worlds apart from the Adriatic coast, but ACMT has drawn them close together.

—KEVIN WASKELIS

## MISSION TO DO GOOD Religious Organizations: \$8.8 Billion

Americans are a distinctly religious people among developed world countries. In a nation founded on principles of religious freedom, America's churches, synagogues and mosques are woven into the fabric of its social and civic life. In addition, religiously affiliated nonprofit organizations—offices of faith-based groups, missionary societies, and religious fellowship organizations—play a large



role in American assistance to the developing world.

For this 2008 edition of the *Index*, The Center for Global Prosperity partnered with the University of Notre Dame's Center for the Study of Religion and Society in a pioneering study to determine the dimensions of such U.S. congregational giving for development assistance in 2006. This first-ever national random sample survey of religious giving in the United States, combined with other data sources, yielded a total of \$8.8 billion that U.S. religious organizations gave to developing countries in 2006. This number is almost two-thirds higher than our previous religious giving estimate, which was collected from available sources, without the benefit of a national survey. Other sources included the data collected by the Billy Graham Center at Wheaton College to determine additional giving by mission agencies, which were not covered by the Notre Dame survey.

The Notre Dame study identified new information on trends in congregational giving directly to developing world causes. About 57 percent of congregations report some financial donations to U.S.-based organizations that contribute to relief and development in foreign countries, with an average contribution in 2006 of \$10,700 for all congregations. Since some large congregations gave very substantial amounts of money to these organizations, it is significant to note that the median congregational donation to U.S.-based relief and development organizations was \$2,500, indicating the range of participation, even by smaller and less wealthy congregations.

About 33 percent of congregations made financial donations directly to programs in developing countries to assist in disaster relief, housing, food or clothing, schools, orphanages, and development projects. The average contribution was about \$34,354 and the median amount \$2,287. In addition, 37 percent of congregations contributed through support of short-term mission and service trips in 2006 (one to four weeks or for the summer). In these congregations, the average number of people who went on such trips was 12 and the median was four. Of the congregations sponsoring such trips, approximately 71 percent provided some financial support for the trips, with the average congregation that provided support reporting \$5,293 for international relief and development and the median congregation providing \$1,600. These amounts specifically excluded any time and resources for evangelism. For these short-term trips, congregational support was for items such as airfare and supplies. Notre Dame also collected information on longer-term mission trips, conducted by 51 percent of congregations. For this category, participating congregations reported an average of \$6,327 for relief and development, and a median of \$1,777. Support might involve airfare, supplies, defraying some or all of an employee's salary, or housing support, among other things.

Religious giving encompasses a wide variety of programs. For example, the River Road Unitarian Church in Bethesda, Maryland sponsors an annual mission in which a youth delegation travels to Santa Marta, El Salvador to work on community projects while living in local homes. Projects have included developing a computer center, building a fence around a health clinic, planting trees to prevent soil erosion, and helping to build a retaining wall. Rev. Olivia Holmes, director of the Unitarian Universalist Association of Congregations' Office of International Relations, emphasized the value of such partnerships both to the receiving locality and to the congregation: "Rather than simply responding to requests for charity, congregations are getting more intentional about working as true partners in designing, implementing, and funding programs and projects," she said. "Some have also begun to put their partnerships into their operating budget rather than raising money for it independently, thus emphasizing its importance to the congregation."

Saddleback Church in Lake Forest, California claims a network of 400,000 churches of various denominations worldwide that address social and health concerns, including AIDS, tuberculosis and malaria. Pastor Rick Warren advocates harnessing the power of local churches to assist developing world needs. According to Warren, "The church is the biggest network in the world. I can bring you to 10 million villages in the world that don't have a doctor, don't have a post office, they have nothing but a church. But it's already on the ground, and we don't have to hire staff." Saddleback's HIV/AIDS initiative is a part of the P.E.A.C.E. plan, an overarching humanitarian strategy launched in 2004 aimed at mobilizing 1 billion church members to live up to the P.E.A.C.E. acronym—Promote reconciliation, Equip servant leaders, Assist the poor, Care for the sick, and Educate the next generation.

#### WORLD VISION

### It Takes a Child to Save a Village

Clementine Umuhoza and Eliza McPike both turn nine in 2008. Both girls enjoy school, benefit from healthcare coverage and have a roof over their heads. But for Clementine, it has not always been that way. As a child growing up in Nyamagabe, Rwanda, her existence was precarious until the McPike family in Madison, Wisconsin, agreed to sponsor her future. Now both girls can sleep well at night, and dream of the possibilities that lie ahead.

It all began in February 2004, with a visit to Rwanda by Senior Pastor Dale Chapin of the Christ Presbyterian Church in Madison, Wisconsin. Upon his return, he shared pictures and stories of the children he had met there, and encouraged mem-

bers of the congregation to sponsor some of the children. The response was remarkable—within two weeks, 60 families committed to the program. In March of that year, World Vision formally linked the Madison congregation to an Area Development Program in Nyamagabe, Rwanda, through their “Church to Community” program. World Vision, a Christian relief organization founded in 1950 and headquartered in Monrovia, California, specializes in child sponsorship programs, which make up about half the group’s activities. Individuals, families, churches,

schools, and other groups sponsor specific children or specific community projects in their own country or abroad. Today 280 children are sponsored in the Madison program, and the congregation has raised an additional \$200,000 toward community development in Nyamagabe.

The program is simple and effective. The sponsors in Madison send \$35 each month to the Area Development Program in Nyamagabe. The program’s all-Rwandan staff then collaborates with local leaders to ensure that the money is employed effective-

## INDIVIDUAL EFFORT

### Rick Hodes: Staying Power in Ethiopia

**W**hen Rick Hodes left the United States in 1985 on a Fulbright fellowship to teach medicine in Addis Ababa, Ethiopia, he didn’t expect to still be living there 23 years later, running two medical clinics.

Medical director for the Jewish Joint Distribution Committee (JDC) clinics in Addis Ababa and Gondar, a doctor at the Mother Theresa Mission and a consultant at two local hospitals, Dr. Hodes has plenty to fill his time. In addition to all this, he supervises a JDC nutrition program, is a quasi-travel agent and finds the time to raise a family.

Rick, as he prefers to be called, says his mission is “helping people who nobody else is interested in helping.” During his time in Ethiopia, Hodes has provided medical care to thousands of destitute people. As the JDC’s medical director, he oversees the health of Ethiopian emigrants to Israel. In these two clinics alone, 8,000 patients were served on a regular basis. But, while he considers himself an observant Jew, his busiest day of the week is Saturday, the Jewish Sabbath, at the Mother Theresa’s Mission, where he might see up to 200 patients on a busy day.

Unlike his Rochester classmates, most of whom are specialists, Hodes treats whoever walks through his door. With one doctor for every 40,000 people



Dr. Rick Hodes examines a local patient in Ethiopia, one of hundreds he might see on a busy day.

in Ethiopia, there is an immense range of medical issues to deal with, among which spine disorders, heart disease and cancer rank among the most common.

In all this, “Dr. Rick” finds time to be a father. His family is quite different, though, from that of his friends and brothers. His family is Ethiopian. Some of his children share his last name, others do not. Over the years he’s adopted or fostered 24 kids into his home. Most of them have had serious health issues, and among them, 21 surgeries have been performed. Of the 17 under his roof at the moment, 14 have serious conditions.

While Rick gives all his resources—professional and personal—to help those in need, there’s only so much that can be done at the clinics. Complex operations require specialist knowledge that isn’t found in Ethiopia. When no more can be done for his patients in Ethiopia, he

sends them to surgeons around the world for treatment. So often is he at the airport to put patients on flights or meet returning patients that he calls himself a travel agent. And what is his goal as a travel agent? “To use the world’s medical resources to simply help people continue their present journey on this planet.”

While the JDC is the main funder of his work and pays his wages, other organizations and

individuals, like the Morton H. Meyerson Family Tzedakah Fund, donate towards these life-saving journeys. With the \$600,000 funding he received in 2006, Dr. Hodes managed to run the clinics and programs, which include sending 15 patients abroad for spinal surgery and other special cases that cross his path. Recently, the congregation from the B’nai Jehudah Temple in Kansas City raised \$6,000 to fly one of Hode’s patients, Betelhem, an 8-year old girl, to the U.S. for surgery on her severe scoliosis.

While Rick sees his impact as changing lives one by one, his funding—whether it comes from individual donors who are moved by his life’s work or the JDC—gives thousands of people access to healthcare every year. But without Rick’s selfless dedication, these dollars wouldn’t reach their potential.

—DAVID JOHN BAKER

ly. In each case, the money will provide basic necessities for the sponsored child—such as food, shelter, clothes, and schooling. Remaining funds are pooled together for the benefit of the entire community and are used for programs such as vocational training, AIDS awareness, clean water, and micro-loans. Their local approach allows them to deal with issues specific to the area such as genocide reconciliation counseling and local adult mentors to assist child-headed households. The program emphasizes education, local institutions and sustainable development, and is geared towards the ultimate goal of self-sufficiency.

But the members of the Presbyterian congregation in Madison give more than money. In 2005, seven members of the congregation made the trip to Nyamagabe, to see the progress that had been made and meet the children they sponsored. This has now become a tradition, with similar trips in 2006 and 2007, and a repeat planned for 2008. The visitors brought with them letters, pictures and school supplies from Madison donors. They used their time in Rwanda to build personal relationships with the children they sponsor.

In 2005, Gretchen McPike went to Nyamagabe to visit her sponsor child, Clementine Umuhoza. Her husband Jeff, a Madison police officer, and their other daughter, Eliza's sister Noelle, then in 8th grade, followed suit in 2006. The trip allowed them to see in person how far their kindness had gone. With the McPike family's help, World Vision had not only taken care of Clementine's basic needs, but also built a house for her family and provided them all with healthcare. The visit brought the two distant families much closer. As Gretchen McPike explains, "instead of just a picture on the side of my refrigerator, Clementine became a part of our lives."

In 1994, the world stood by as the genocide in Rwanda left over 1 million people dead, and millions more orphaned. Already ravished by poverty and the onslaught of AIDs, the future of the children in the small village of Nyamagabe was bleak. But groups like the Madison congregation show that everyone can get involved and anyone can make a difference. By reaching out child by child, the sponsors of Madison are reconstructing a whole community. In partnership, the Nyamagabe community is not only surviving, but moving forward. —INGRID BJERKE



Volunteers and donors from Christ Presbyterian Church in Madison, Wisconsin sponsor children and support community efforts in Nyamagabe, Rwanda.

## FIVE TALENTS INTERNATIONAL Gospel-Style Capitalism at Work

In the biblical parable of the talents, one servant was given five talents—a measure of gold and silver at the time—and invested them immediately to gain five more. According to the gospel, Jesus told the story to illustrate the rewards of being diligent. Five Talents International, an Anglican microfinance organization headquartered in Vienna, Virginia, a Washington, D.C. suburb, tries to achieve the same return with its micro-loans and technical assistance. Created at the Lambeth Conference of Anglican Church leaders in 1998, Five Talents was the church's response to poverty in the developing world. Now, a decade later, it provides business loans, education and technical assistance to people of all faiths in nine developing countries from South America to Asia.

Since 1999, when Five Talents began operations, loans have been made to 20,000 business entrepreneurs in a dozen developing countries. While some individuals receive loans, groups are the main recipients. Each member of the group co-guarantees the repayment schedule. The loans vary in size from \$56 to just over \$1,000, and are made through local churches or microfinance institutions. Although \$56 may not seem like a large amount, with an average monthly wage of \$28 in Uganda, it supplies a considerable cash injection to a small business.

Five Talents' loans should not be mistaken for handouts. Following the principles of integrity, good stewardship and wise investment, the program thoroughly vets and regularly reviews all local partners. Each loan is coupled with sound business advice, and there is a loan fee to cover the cost of the program. This charge includes the application fee, business training and monitoring. Fees are set to cover local running costs, such as the salary of the loan officers, fuel, and office expenses, so that the loan programs can be self-sustaining. For instance, a group business loan of \$282 in Uganda carries a charge of \$51 to be paid over a six-month period. Borrowers generally find this fee manageable—most clients return for another loan when they've completed the first one.

One such borrower is Joy, who lives near the Rwandan border in Uganda. When her husband died of malaria in 2003, leaving her to care for six children, she started a brick-making business to make ends meet. A \$150 loan from Five Talents helped her buy a plot of land and employ eight people to make bricks. Within four months, she had covered the cost of her loan and had \$400 worth of stock waiting to be sold. Since then, and several loans later, she has expanded her business to include potato-growing and has opened a small store. Currently, she has 13 employees, and all her children are in school.

Asha Hiranwar from Nagpur, India, is another participant in the loan programs. The 48-year-old is the mother of two children and runs two businesses. Six years ago, when her family could

no longer survive on her husband's income alone, she took out a \$70 loan from the Community Development Society, a Five Talents' partner, to start a tailoring business. After repaying the first loan, she applied for a second to open a general store. Today, her time is filled running both businesses. The extra money goes to giving her children a better education and medical care.

All this is made possible by the commitment of volunteers and the generosity of individuals, churches and foundations across the United States and United Kingdom. In 2006, the \$1,176,133 that was raised went to finance 12,000 loans and positively affect over 70,000 lives. While private donations enable loans to be made, a major part of Five Talents' work is carried out by volunteers from supporting churches. Each year thousands of hours are contributed by business professionals who fly out to where the loans are disbursed and offer business training to church leaders and entrepreneurs. The workshops cover the basics: business planning, marketing and record keeping. These hands-on training programs not only equip loan recipients to run and expand their business, but also enable the local loan officers to impart business essentials to future clients.

The Five Talents' program benefits from the credibility of the Anglican Church's local presence worldwide. Because it is financially self-sustaining, Five Talents ensures that donors' philanthropic gifts of time and money will continue to give those at the bottom of the economic ladder a chance to better themselves and those around them.

—DAVID JOHN BAKER

## NATIONAL CHRISTIAN FOUNDATION Offering Flexibility to Donors

Several years ago, Atlanta youth pastor Glenn Campbell had a vision: to establish a ministry in South Africa to counsel individuals and families touched by racism and the devastating effects of the AIDS epidemic. In order to realize his vision, however, Campbell needed the funds. Tapping into the Christian tradition of tithing, or giving a percentage of one's income to a religious organization, Campbell approached several Atlanta businessmen active in local church giving about supporting the ministry financially. The group wanted to establish a fund for the project but were hesitant to set up a private foundation, which has numerous hidden costs. Instead, the group chose to work with National Christian Foundation (NCF), a nonprofit dedicated to offering counsel and giving solutions to donors. For Bobby Reagan, one of the businessmen involved in the project, the choice to work with NCF was clear: "Our group needed to set up a [nonprofit], but we wanted to avoid all the administrative hassles," he said. "We got a lot of help from NCF and now have a very efficient vehicle to channel our giving."



Foster Friess's donor-advised fund through National Christian Foundation provides aid for schoolchildren in Galle, Sri Lanka.

With the motto "Smart Christian Giving," NCF was set up in 1982 as a donor-advised fund—an alternative to direct giving—that has become an appealing option to those interested in low administrative costs, a manageable time commitment, and general ease of charitable giving. The National Philanthropic Trust labeled donor-advised funds, which allow contributors to enjoy the tax deduction and recommend charities to which their money can be channeled, one of the fastest-growing charitable vehicles. A recent *Chronicle of Philanthropy* survey estimated total donor-advised fund assets in the U.S. to be as high as \$19.2 billion. Reflecting this general trend, contributions to NCF surged nearly 25 percent, to \$449 million, in 2006, and the foundation's year-end asset balance reached nearly \$1 billion in the same year.

As with other donor-advised funds, NCF contributors are given "advisory status" and allowed to make suggestions on where their money goes, while the foundation serves as guide and facilitator in the process. In essence, NCF is a link and intermediary between donors and its 15,000 church and ministry affiliates worldwide. Offering advice and support, as well as a plethora of giving options, NCF offers donors the flexibility and convenience that is increasingly in demand. It gives Christian contributors a way of fulfilling their religious giving aspirations while also getting a tax deduction.

Donor-advised funds also offer the possibility of innovative approaches to raising funds for a particular cause. In the aftermath of the 2004 tsunami in Indonesia, Foster Friess, founder of Brandywine Funds, set up a fund with NCF called "Friends of Foster" to aid reconstruction efforts. The fund, established as an NCF Giving Fund in 2005, matches donations dollar for dollar and is targeted at helping the Sri Lankan city of Galle. Motivated by a personal tie to Galle—his daughter-in-law is from there—Friess became further interested after a visit to the devastated areas. "To look into the eyes of a mother with three young children clinging to her skirt while they stand on the 20-by-20 foot concrete pad, which is all that remained of her home, was life changing," reflected Friess. To ensure that money was being used in the most efficient manner, Friess himself visited



Galle and handpicked his projects and ministries. In this way, he has maintained some control over the stewards of his money and the causes which it funds.

The stories of Foster Friess and pastor Glenn Campbell are representative of an emerging trend among private donors—that is, managed charitable giving. National Christian Foundation, and donor advised fund foundations like it, are expanding, reflecting a growing interest in this new giving vehicle. In pursuit of achieving their charitable goals, more and more donors are choosing to relinquish some control over their money in exchange for the convenience, flexibility and expert guidance of managed giving.

—TAYLOR BOLZ

## BIBLE STUDY GROUP

### Odyssey of an African Christian

**B**arnabas Agwuocha, a onetime “houseboy” in Gabon, now holds an M.B.A. from Nyack College in New York state and is actively promoting new educational opportunities in Africa. How he got from one point to the other is a story that combines tragedy and disaster with faith, hope and a new sense of what’s possible.

The turning point in this story came one evening in a small bible study group of white expatriates in Gabon. This evening was a little different—one of the members had brought his “houseboy,” who had newly embraced the Protestant faith and wished to take part in the group. Very soon, he asked to lead the group—he could not read or write, but wanted as much experience as he could get. When the bible study group learned more about this houseboy’s life, they decided it was time to put their faith into action and help him further.

Born in 1968 into a Nigerian family of 14 during that country’s civil war, Barnabas spent his first three years on his mother’s back as the family moved from place to place. After the war ended in 1970 and things settled down, Barnabas was able to go to elementary school. However, his father lost his teaching job just as the Nigerian government enforced austerity measures, so that Barnabas had to leave school to help farm the family plot. Eventually the family could no longer support itself, and Barnabas’s father proposed the unthinkable: the young boy was to leave home.

The idea was for Barnabas to go to Gabon to work for his uncle’s business. His uncle would provide him with food, clothes, and a travel allowance, and help him complete school. After five years, Barnabas would receive a settlement, including proper immigration status and enough money to begin his own business. The reality he met in Gabon was very different.

For five years, Barnabas suffered a slave-like existence. His uncle forced him to sleep on a concrete floor, eat scraps and work 12-hour days at an illegal roadside market. He finally managed to

sneak a letter to his parents, but when his father demanded that the uncle send Barnabas home, the uncle threw Barnabas out. While Barnabas was living as a nomad, a friend introduced him to the Protestant Christian faith. Instead of avenging himself, Barnabas resolved to look forward. Nine years after leaving Nigeria for the first time, Barnabas was finally able to go home.

But there was no work in Nigeria, and Barnabas soon returned to Gabon in order to help support his family. Without proper documentation, he made the journey on a fishing boat. After three weeks he arrived—and was greeted by the police. But a miracle occurred—the police took them to a church rather than the station.

At the church, a Dutch expatriate gave Barnabas a job as a houseboy. When he heard more about Barnabas’s life, the Dutchman decided to introduce his houseboy to his bible study group. After Barnabas joined the bible study group, it was not long before they agreed to collectively finance his journey to the United States. With the support of a U.S. church and congregation he received his high school equivalency diploma. He proceeded to complete his bachelor’s degree at Toccoa Falls College in Georgia, and went on to obtain an M.B.A. at Nyack. Both schools are affiliated with the Christian and Missionary Alliance, an evangelical Protestant sect. However, Barnabas never forgot his origins and his dream: to do something positive for his African homeland.

As soon as he could muster the resources, Barnabas returned to Nigeria. With funds raised from friends as well as from his U.S. church and from a local village church in Africa, he completed several projects. He bought and distributed food, and held an AIDS education seminar for over 1,500 youth. He initiated and funded construction of a local water supply system, which saves villagers miles of walking every day and helps fight water-borne diseases.

But Barnabas is not resting yet. Currently he is planning a program of “adopting” schools in the slums of Africa. He will first identify and evaluate schools in need in Africa, then present a summary to schools and churches in the U.S. Once a school is adopted—that is, linked to a U.S. institution—a beneficial two-way exchange can begin. The U.S. institution can contribute financially, or donate school and hygienic supplies. The program encourages student-to-student pen pals, and will eventually include volunteer trips to Africa. The partnership will give the school in Africa a voice and resources. The U.S. institution will gain perspective and cultural knowledge. Already some U.S. schools have expressed interest in the project, and soon Barnabas will travel to Africa to complete his selection.

Barnabas’s story is not just the story of one successful individual. It is the story of those who helped him, those who he will help, and those who they will help in turn. Barnabas Agwuocha is the embodiment of successful international development—where the donors offer a leg up, and the recipients take the step on their own.

—INGRID BJERKE

A representative of the Aga Khan Foundation talks about the importance of renovating an historical building in Herat City, west of Kabul, Afghanistan as part of a wider rehabilitation project in support of historical cities.

## INTERNATIONAL PRIVATE GIVING

# A World of Generosity

Philanthropy outside of the United States, while lower on a per capita basis, is growing. Historically, higher taxes have meant that Europeans give abroad more through their governments than private charity. But now, the heightened public awareness of international poverty, concerns about lack of effectiveness in government aid, the creation of new tax incentives for private giving, and the ability of the Internet to connect people from around the world with new ideas and initiatives quickly and efficiently have led to a new interest in all things philanthropic.

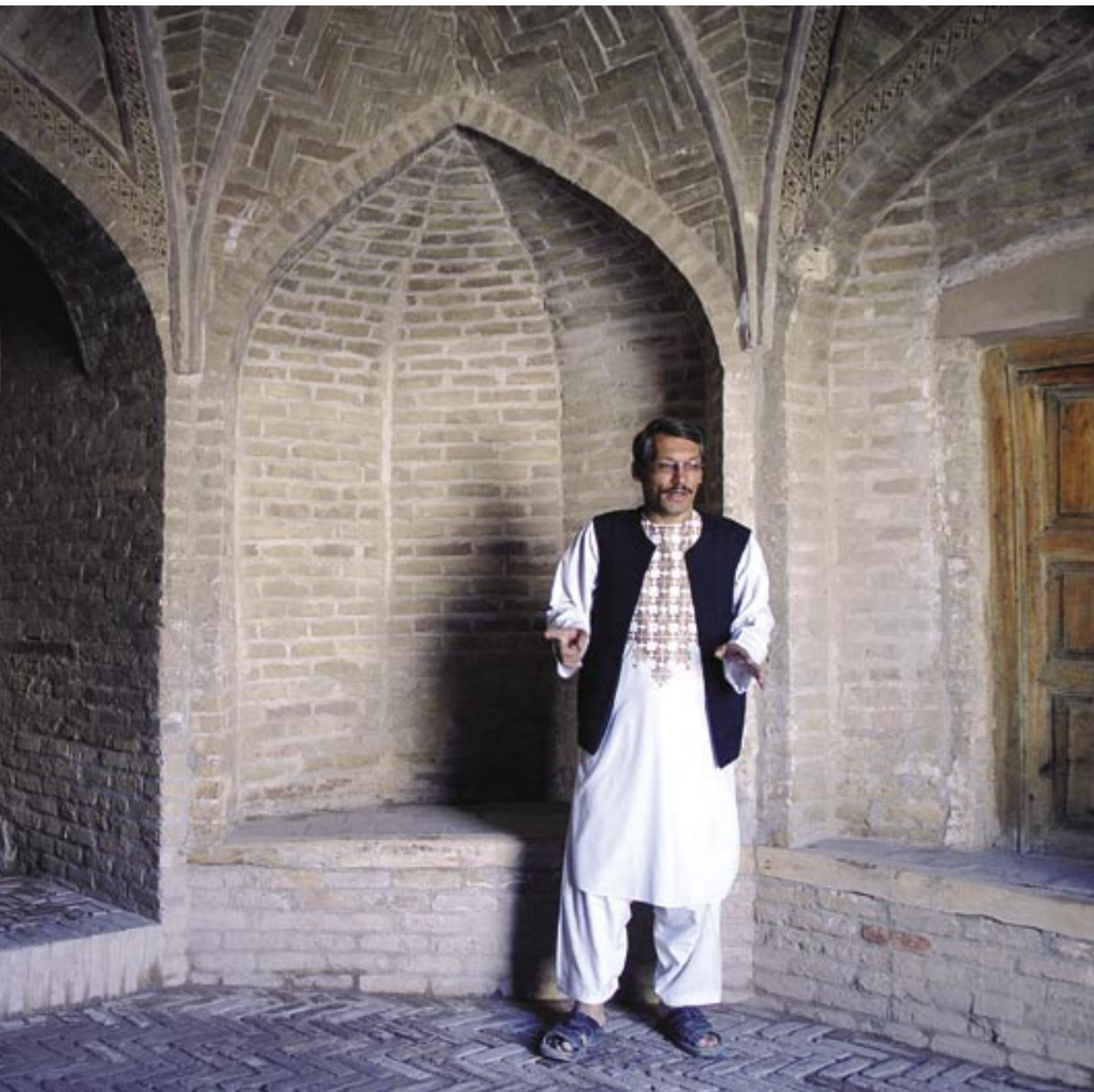
Tax incentives for charitable donations from individuals and companies have had the most significant impact on private giving in Europe and Asia. Greater tax incentives have led to the increase in both independent and corporate foundations as well. In France, the Aillagon Act of 2003 provided generous opportunities for corporations to get involved in philanthropy permitting companies to deduct 50 percent of contributions up to a limit of 0.5 percent of company sales. As of early 2007, there were 133 active corporate foundations in France—more than double the number of corporation foundations in 2003.<sup>1</sup> Tax incen-

tives for individual donations have also led to increased private giving in France. For more information on France, see “Private Giving: The French Connection” on page 49.

In Australia, legislation passed in 2001 allowed Australian citizens to establish Private Prescribed Funds (PPFs), trusts that allow businesses, families, and individuals to make tax-deductible donations.<sup>2</sup> For more information on the general influence of tax incentives on philanthropy, please see “The Taxman Giveth” on page 50.

Increased tax incentives have led to a significant change in the role of the individual in private giving in





many European countries. In the Netherlands, household donations were 42.4 percent of all private donations to charities in 2005.<sup>3</sup> Understanding the potential impact that individuals can have on private giving in these countries, NGOs are learning how to tap into the power of the Internet to easily connect donors to worth-projects overseas. Global Giving, a U.S.-based nonprofit, recently launched Global Vision International Charitable Trust in the U.K. The new service links individuals who want to fund projects in developing countries to grassroots NGOs by means of the Internet. The innovative model of Global Giving has

spurred interest in launching similar initiatives in Canada, France, Germany, Ireland, and Spain.

#### DATA AND TRENDS

The only comparative measures for private giving from donor countries have been the figures that countries send in to the OECD for publication in the annual Development Co-operation Report. The numbers, called “grants by private voluntary agencies,” however, are incomplete since they do not include corporations, do not fully reflect religious giving, and are based, for the most part, on out-



dated and voluntary surveys. With the growth in international private giving and improved measurement by the Center for Global Prosperity through its *Index of Global Philanthropy*, there has been increased interest by donor countries in better measuring their private giving and in documenting success stories.

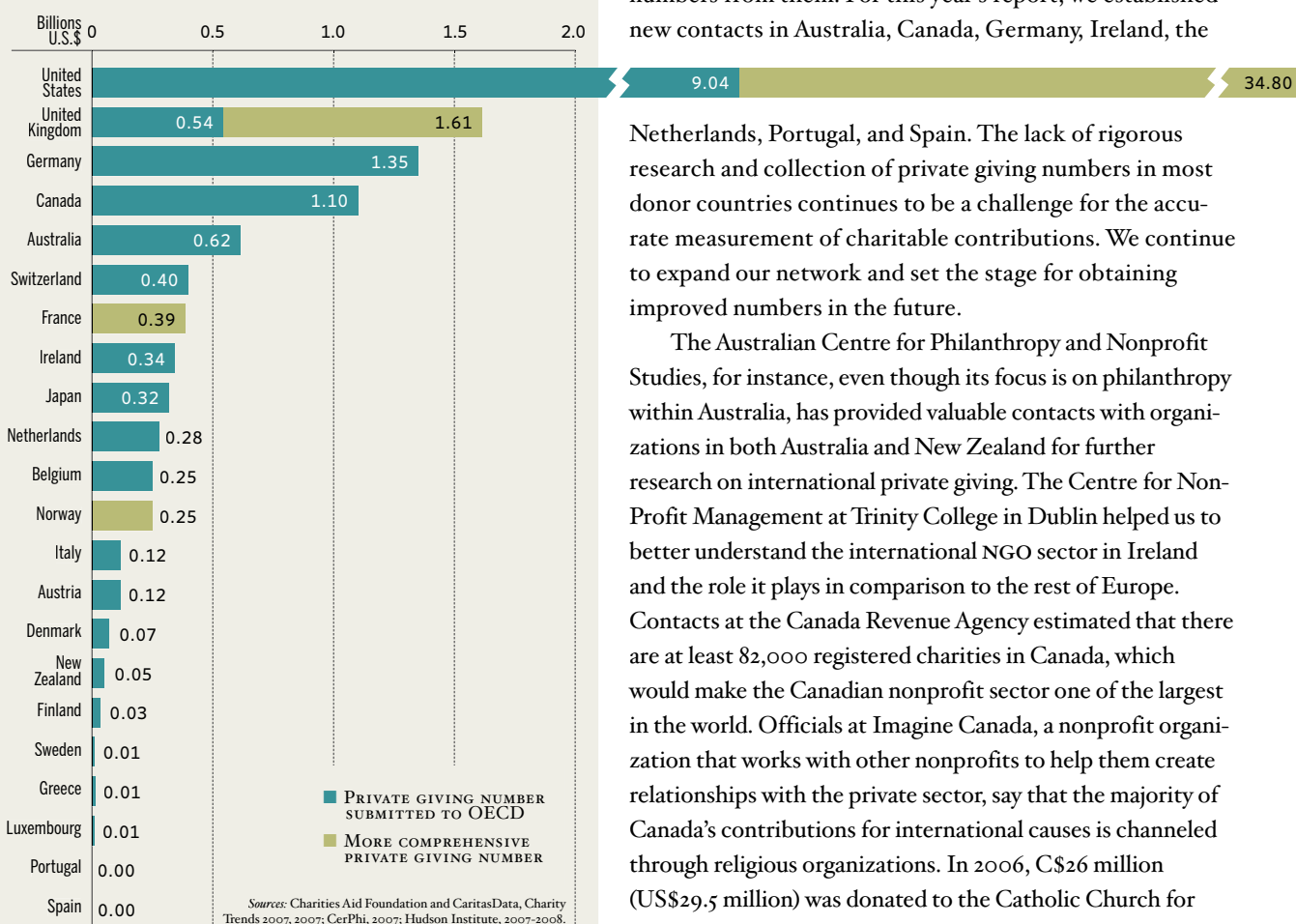
Working with partners in several countries, the Center for Global Prosperity is continuing its efforts to provide a more comprehensive picture of international private giving from donor countries. This year, we obtained private giving estimates for two additional countries, France and Norway—

a breakthrough since neither of these countries reported private giving numbers to the OECD in the past. Adding these two countries to the U.S. and the U.K. brings to four the number of countries for which we now have improved private giving estimates. In France, a new partner, Centre d'Étude et de Recherche sur la Philanthropie (CerPhi), developed a private giving estimate. In Norway, we worked with Norad, Norway's international development agency, to compile data on international giving by non-governmental organizations. In the U.K., we partnered for a second year with Charities Aid Foundation, which provided a comprehensive private giving number for the United Kingdom.

Contacts in other countries have also been helpful in assisting our research on private giving to the developing world, even though we do not yet have comprehensive numbers from them. For this year's report, we established new contacts in Australia, Canada, Germany, Ireland, the

FIGURE 1

Incomplete Private Giving Numbers Submitted to OECD and More Complete Private Giving for France, Norway, U.K., and the U.S. in billions of \$, 2006



Sources: Charities Aid Foundation and CaritasData, Charity Trends 2007, 2007; CerPhi, 2007; Hudson Institute, 2007-2008.

Netherlands, Portugal, and Spain. The lack of rigorous research and collection of private giving numbers in most donor countries continues to be a challenge for the accurate measurement of charitable contributions. We continue to expand our network and set the stage for obtaining improved numbers in the future.

The Australian Centre for Philanthropy and Nonprofit Studies, for instance, even though its focus is on philanthropy within Australia, has provided valuable contacts with organizations in both Australia and New Zealand for further research on international private giving. The Centre for Non-Profit Management at Trinity College in Dublin helped us to better understand the international NGO sector in Ireland and the role it plays in comparison to the rest of Europe. Contacts at the Canada Revenue Agency estimated that there are at least 82,000 registered charities in Canada, which would make the Canadian nonprofit sector one of the largest in the world. Officials at Imagine Canada, a nonprofit organization that works with other nonprofits to help them create relationships with the private sector, say that the majority of Canada's contributions for international causes is channeled through religious organizations. In 2006, C\$26 million (US\$29.5 million) was donated to the Catholic Church for international causes. Additionally, the Conference Board of



## Private Giving: The French Connection

Data on French private giving has been piecemeal since there is no central database on philanthropic efforts, with data on private giving to developing countries even harder to come by. However, there are indications that recent changes in tax laws and greater support of international causes by the French public has led to an increase in French private giving to the developing world.

Even though the data is spotty, one French researcher used a survey of private giving in France to estimate that from 1991-2000 French private giving grew by 45 percent; faster than the growth of GDP during the same period.<sup>1</sup> According to data compiled by the French think tank CerPhi, French individual private giving continued to grow into the current decade as legislation was passed in 2003 to provide greater opportunities for tax deductions on charitable donations claimed by individuals.<sup>2</sup> Unlike other donor countries, France allows individuals to make the deduction directly from taxes they owe

rather than their taxable income, a system that provides individuals with ample motivation to respond to major appeals, such as the tsunami relief effort in 2005. That year, CerPhi estimated that individual private giving in France hit an all-time high, raising €300 million-350 million (\$369 million-\$431 million) in additional donations.<sup>3</sup>

In a recent poll, international causes ranked high for the French among individual giving priorities. Out of 16 categories, “Third World countries, development assistance” ranked fourth, while two other categories in international giving—“war crimes, natural disasters through the world” and “human rights and civil liberties”—ranked eighth and eleventh respectively.<sup>4</sup> The importance of international causes as a charitable focus is further reflected in the French philanthropic landscape. Since 1991, French international NGOs have received a large proportion of their funding from private sources. In 2003, 63 percent of

total contributions, or €412 million (\$465 million) of private contributions, were received by international NGOs.<sup>5</sup> The figure does not include gifts in-kind, and therefore is very likely underestimated.

French foundations also have an important role in private giving to the developing world. Out of the estimated 634 foundations, 5 percent are engaged in “development assistance and international relations” and spent an estimated €57 million (\$53.7 million) on this area in 2001, according to the latest data available.<sup>6</sup> This estimate is conservative, since a portion of foundations that are involved in “social, charitable and humanitarian issues” and that also work on international causes are not counted. Corporate foundations also engage in international charitable causes. Of the 317 foundations affiliated with corporations, one-third were involved in charity for international causes in 2006.<sup>7</sup>

—CATHERINE FISHER

Canada will be conducting a survey next year on corporate giving to international causes for the first time. In Germany, the Global Public Policy Institute (GPPI) is researching private giving numbers for Germany, and the Center for Global Prosperity has shared research methodologies and data with the GPPI.

Figure 1 (opposite) shows the “grants by private voluntary agencies” data for all the donor countries as reported by the OECD and the improved private giving estimates for the U.S., the U.K., France and Norway. Private giving to the developing world from France and Norway was estimated to be \$389 million and \$254 million respectively. As noted, neither of these countries has reported a private giving number to the OECD, and this is reflected in Figure 1. These estimates, therefore, provide new insight into French and Norwegian private giving. While the Norwegian estimate is a fairly accurate reflection of all international private giving in that country, the French number is likely underestimated since it captures only individual donations, not corporate or foundation giving. The U.K. private giving estimate was

again significantly larger than what the U.K. government sends into the OECD—the \$1.6 billion figure Charities Aid Foundation compiled is three times the \$543 million sent by the U.K. government to the OECD for 2006. For information on the sources and methods used to reach these private giving estimates, see the Methodology section on page 68.

In 2006, private giving to the developing world from the few donor countries that collect measurements declined, probably because aid to tsunami victims came to an end. In Australia, for instance, community donations and other income raised by Australian NGOs for overseas aid and development were down \$131 million in 2006.<sup>4</sup> In France, the €300 million-350 million (\$369 million-\$430 million) in private giving that was raised for tsunami relief in 2005 did not reoccur in 2006.<sup>5</sup> In general, Charities Aid Foundation (CAF) reported that in the 2005/2006 fiscal year private giving among NGOs focused on international causes was down from 2004/2005 donations.<sup>6</sup>

Regardless of any understandable post-tsunami downturn in charitable donations for disaster relief, private

## The Taxman Giveth

While private philanthropy in the United States has long benefited from favorable tax breaks, other donor countries are only beginning to catch up, offering individuals and corporations increasingly generous tax incentives to give charitably. Although, tax incentives for philanthropy vary widely outside of the United States, the evidence is that governments from Canada to Australia are making giving more attractive through greater tax benefits.

In Europe, the United Kingdom is a leader in philanthropic tax benefits. Both individual and corporate donations are fully deductible from taxable income. Donors can give under the Gift Aid and Payroll Giving schemes. While Gift Aid allows individuals and corporations to donate to U.K. charities, Payroll Giving streamlines the giving process by allowing employers to deduct employees' donations straight from their gross salary. According to Workplace Giving UK, a fundraising organization that promotes giving in the workplace, Payroll Giving continues to raise more donations and attract more participants each year. Fiscal year 2007 saw a 4.6 percent increase in the monies raised and a 6.5 percent rise in the numbers of donors from the previous year.

Elsewhere in Europe, Germany has introduced tax reforms to encourage the creation of foundations and donations to them. Since 2000, German individual and corpo-

rate taxpayers can deduct up to €20,405 (\$27,343) from their taxable income for donations to certain foundations. In addition to this, individuals can benefit from a further deduction of up to €307,000 (\$411,390) if they donate to a newly established foundation. Since 2002, France has relaxed regulations on the creation of corporate and public utility foundations and provided greater tax benefits for corporations active in philanthropy. These more favorable fiscal and legal environments for foundations have coincided with a boom in the foundation sector over the past decade. Between 28 and 40 percent of foundations in Germany, France, Belgium and Finland were set up in the last 10 years.

Several EU countries have taken steps to encourage cross-border donations. Recent tax reform in Poland and Slovenia permits donations to foundations in EU states to benefit from tax breaks. Italy provides incentives to donate to foundations carrying out humanitarian initiatives in non-OECD countries. And as of January 2008, the Netherlands granted charitable organizations in the EU the same tax privileges as similar Dutch-based institutions. This goes even further than the U.S. tax code, which has yet to recognize foreign nonprofit organizations.

Outside of Europe, Canada has made giving more attractive. In 2006, the government eliminated capital gains tax on donations of publicly listed securities to

charities and, in 2007, they extended this measure to include private foundations. According to Statistics Canada, charitable giving rose by 8.3 percent between 2005 and 2006—from C\$7.9 billion (US\$6.5 billion) to C\$8.5 billion (US\$7 billion).

The Australian government over the last decade has rolled out a series of income tax measures designed to encourage both personal and corporate philanthropy. Foremost among the initiatives has been the introduction of Prescribed Private Funds (PPFs), private gift deductible funds, which allow individuals, families, and businesses to support charitable causes. Since the scheme began in 2001, over 452 funds have been set up, and, as of April 2006, these funds had some A\$421 million (US\$311 million) under investment and have made grants of A\$90 million (US\$66 million) to charitable organizations.

While its neighbor, New Zealand, has had a less generous tax system, revisions that came into force on April 1, 2008 are changing that. The new changes abolish the NZ\$1,890 (US\$1,352) rebate threshold on individual donations and the 5 percent deduction limit on charitable donations made by corporations. Also, a payroll giving scheme has been proposed as one of a set of measures designed to make charitable giving easier.

—DAVID JOHN BAKER

giving to the developing world continued to be a high global priority. In the U.K., international projects received the largest amount of private donations among charitable causes in 2006.<sup>7</sup> In other countries—Australia, France, and the Netherlands—private giving to international assistance ranks among the top five charitable causes for private donations.<sup>8</sup> Giving internationally is also a high priority in Ireland. In 2006, international NGOs raised from private sources 27 percent of the total amount of funds raised by the entire Irish nonprofit sector. This is impressive, since international NGOs make up only 1.5 percent of Irish nonprofits.<sup>9</sup>

Working with these new European and Asian partners, we continue to advance the numbers and knowledge base of international private giving. There are still, however, large gaps in the research. As we have seen, the government is, for many of these countries, the major player in international aid and development efforts. Comprehensive data on private giving efforts to the developing world is still in the early development stages. As we continue our research efforts on private giving to the developing world, we will be actively addressing these challenges and working closely with existing and new partners to bridge the information gap.

# Stories of Success and Hope

As in the United States, a wide variety of private organizations in other countries are involved in giving to developing countries — foundations, corporations, charities, and religious organizations. The stories that follow illustrate some of the successful strategies and approaches followed by these international organizations. They demonstrate the same kind of creativity and generosity in these international groups as that characterizing their U.S. counterparts.

Philanthropy, in the end, is not about numbers, but about people. These are but a sample of the stories that could be told — but enough to illustrate the power of giving in the lives of individuals.

## INTERNATIONAL PRIVATE GIVING

### Hope for a Troubled Region

Perhaps the most renowned of Islamic charities is the Aga Khan Foundation, with headquarters in Switzerland, founded in 1967 by the Aga Khan, the head of a transnational community of Ismaili Muslims and a noted philanthropist. The foundation's mission is to develop and promote creative solutions to problems that impede social development, primarily in Asia and East Africa. It has branches and independent affiliates in 15 countries, including the United States.

The crown jewel of this network is the Aga Khan University in Karachi, Pakistan, which was chartered by the government there as an international university with the authority to operate programs, branches, and campuses anywhere in the world. Its Faculty of Health Sciences was planned with the support of the Harvard Medical School, and McGill and McMaster universities. It presently includes a Medical College and a School of Nursing, located together on an 84-acre campus. The Aga Khan University Hospital is a world-class medical center where care is provided to all patients in need. In 2002, it provided services



The Aga Khan Foundation and the French government contributed to a medical clinic in Kabul, Afghanistan that was opened in 2006.

to 34,000 in-patients and 365,000 outpatients, and conducted 17,000 surgical operations, including 519 open-heart surgeries.

In addition to the Karachi facilities, the Aga Khan Foundation has developed an extensive global network of institutions: the Aga Khan Agency for Micro-finance; Aga Khan Fund for Economic Development; the Aga Khan Planning and Building Services; the Aga Khan Education Services; the Aga Khan

Trust Fund for Culture; and the University of Central Asia.

The foundation is heavily involved in the critical task of institutional development. It has built and now operates the Aga Khan Academy in Mombasa, Kenya. This is the first of a planned network of Aga Khan Academies dedicated to expanding access to education at an international standard of excellence in Asia and Africa. The network will feature a curriculum based on the international baccalaureate. At the center of this approach is a broad education from kindergarten years through high school. The academies will also feature a robust system of international student and teacher exchange pro-

# The Aga Khan Foundation has a forward-looking perspective on development assistance. It seeks to promote laws and corporate policies that favor indigenous philanthropic giving.

grams between academies in different countries as well as with allied schools, including Phillips Academy in the United States and the Schule Schloss Salem in Germany. Proficiency in at least two languages, with English as the medium of instruction, and progressive mastery of information technologies, will be hallmarks of the program. Admission to these academies is merit-based and means-blind.

In addition to Mombasa, schools are planned for Nairobi in Kenya as well as in Tanzania, Uganda, Democratic Republic of the Congo, Madagascar, Mozambique, Bangladesh, India (Mumbai and Hyderabad), Pakistan (Karachi), Afghanistan, Kyrgyzstan (Osh), Tajikistan (Khorog and Dushanbe), Syria, and Mali.

The Aga Khan Foundation also supports charitable works by others. This is particularly the case with the Pakistani diaspora which offers some good examples of charitable giving.

For instance, Pakistani American physicians, among other professional groups, have been involved in philanthropic programs on behalf of Pakistan. During the 1970s Pakistanis immigrating to the U. S. included a high number of physicians, engineers, scientists and other highly trained professionals. The Pakistan Centre for Philanthropy (PCP) estimates that there are at least 50,000 immigrants living in the United States today.

The Association of Pakistani Physicians of North America was established in 1977, and has since grown into a conglomerate of affiliated organizations and initiatives. The association sponsors charitable activities both in Pakistan and the United States. For example, a medical alumni association has programs for Pakistani physicians in America to return home to provide training and services to hospitals and medical colleges.

In 2002 the Pakistan Centre for Philanthropy, which was set up in Pakistan to facilitate philanthropic activities, received a grant from the Rockefeller Foundation in a project coordinated by the Aga Khan Foundation for research on existing diaspora philanthropy initiatives in Pakistan and the United States.

The grant funded meetings to explore ways and means of enhancing this giving.

The key findings were published in 2006 and found that Pakistani Americans gave \$250 million in cash and in kind and \$43.5 million hours of volunteer time per year. The average Pakistani American household contributes 3.5 percent of its income to worthy causes, and there was a significant potential for more giving.

The foundation has a forward-looking perspective on development assistance. It seeks to promote laws and corporate policies that favor indigenous philanthropic giving, thereby facilitating a break from dependency on foreign aid. It also actively promotes volunteerism as a vital way for local organizations to root themselves in a renewable "citizen base." It is keenly interested in forging new models for partnerships involving government, business and citizen organizations to improve health, education and welfare services to the poor. — JEREMIAH NORRIS

## INTERNATIONAL CORPORATION

### Fighting the Malaria Scourge in Ethiopia

Malaria affects somewhere between 300 million and 500 million people every year, with more than 1 million deaths per year. Some 90 percent of these are in Africa, many of them pregnant women and children under five. In the Tigray region of Ethiopia, for example, over half of the people live in areas affected by *Plasmodium falciparum*, a strain of malaria resistant to single stand-alone anti-malarial treatments. For the people of the Tigray, malaria is an epidemic where fully half of the population live beyond the reach of healthcare facilities. Since the inception of the Tigray Project in 2005, however, these people have gained a new partner in their battle against malaria—the Swiss pharmaceutical company Novartis.

An initiative of Novartis Italy, the Tigray Project seeks to provide local communities with the know-how for early diagnosis and treatment of malaria, while respecting local traditions and customs. Using Novartis Italy's disease management approach, it channels the efforts of the partners into four areas: 1) health education for early diagnosis; 2) training activities to promote accurate diagnosis and early treatment with Coartem, an anti-malarial medicine that has achieved cure rates of up to 95 percent in areas of multi-drug resistance; 3) distribution of free diagnostic tests (RDTs) for health facilities; and 4) disease monitoring through data collection and analysis. To better achieve disease management at the community level, the project was designed as a public-private partnership between Novartis Italy, the Italian Ministry of Health, the World Health



Organization, the health authorities of Tigray, the San Gallicano Hospital in Rome, the Italian Dermatological Hospital in the Tigray capital of Mekelle, and Tigray communities.

The most critical contribution in the project comes from the Community Health Workers (CHWs), who are the key to the community-led management initiative because they live in the communities and are trusted. One such CHW is a farmer in the village of Kunkira village who goes by the name of Fanta. When he is not tending his fields, Fanta serves as the area's CHW, or "barefoot doctor" in his clinic under the trees—supplied with two stools, boxes of malaria diagnosis kits, rubber gloves, a patient registry, alcohol, and absorbent cotton. Each barefoot doctor is educated and trained by the Tigray Health Office, aided by its healthcare partners, while the diagnostic equipment and Coartem are supplied by Novartis Italy, WHO and the Italian government.

Fanta's unpaid service is a lifeline to the people of the Tigray region, since CHWs make it possible to provide rapid on-site diagnosis and treatment of malaria. For instance, when a mother brought her feverish child to Fanta's clinic under the trees, Fanta first checked for pallor, a symptom he learned about during his medical training. When that test provided no conclusive results, Fanta put on a pair of rubber gloves and pricked the finger of the child to collect blood for the diagnostics test. Amazingly, the diagnostics test provided results in 15 minutes—they were negative.

A recent evaluation of the project showed that the efforts of Novartis Italy and its partners have not been in vain. As of June 2007, the project has had a total of 200,000 patients in 50 villages that were treated with Coartem. The project has also created a network of 114 healthcare workers knowledgeable in diagnostic and therapeutic roles, as well as 33 CHWs that operate in villages throughout Tigray. The vitality of the healthcare network represents the success of the partners in assisting local communities in the ownership and sustainability of the community-level management of malaria. Amazingly, the Tigray Project has been able to make a significant impact on a mere budget of \$525,000, with \$400,000 coming from Novartis Italy and the rest from the Italian government. In June 2007, Novartis Italy received the Sodalitas Social Award issued by the Italian Congress to recognize corporate commitment to social responsibility and sustainability for the success of the Tigray Project.

What the efforts of Novartis Italy and its partners show is that effective partnerships between dedicated actors can produce an amazing impact for those most in need. For those in the Tigray region of Ethiopia, this has helped save thousands of lives and aided the management of malaria in local communities. The impact of Novartis Italy's efforts should not be measured by the direct involvement of the company and its partners, but in the sustainability of the Tigray project and Coartem distribution by people like Fanta (who acknowledged that his name is derived

"from the orange-flavored and very sweet soft drink").

Tigray is just one of the regions benefiting from the distribution of Coartem. Novartis Italy provides the drug at manufacturing cost to 30 developing countries. In 2006, more than 62 million treatments of Coartem were delivered to help save an estimated 200,000 lives.

—CATHERINE FISHER

INTERNATIONAL CORPORATION

## Bringing the 'Beautiful Game' to Less-Than-Beautiful Places

In 2006, the conflict between Hezbollah and Israel left hundreds dead, and many more wounded. The fighting also took a serious toll on the infrastructure of the country. In the rubble left by fire and warfare, however, groups of children came out to play what is widely known as the "beautiful game"—soccer. One of the most popular sports in the world, soccer, called "football" in most countries, is often used to bridge many social, cultural or religious gaps.

An effort to have soccer heal the wounds of the Lebanon conflict came about through direct correspondence between the Italian Ministry of Foreign Affairs and Massimo Moratti, the owner of Milan's professional soccer team, called Inter Milan. With considerable official support—from the Lebanese Football Association, Minister of Youth Affairs and Sport, Paralympic Federation, and Gabriele Checchia, the Italian ambassador to Lebanon—Inter Milan was able to start one of its "Inter Campus Worldwide" programs for Lebanese children after the conflict between Israel and Hezbollah finally abated. The Inter Milan staff and local crew helped children from ages 8 to 14 that had to deal with the harsh reality of war.

The Inter Campus camp in Lebanon was established in the



The Inter Campus program of Milan's professional soccer team provides instruction and inspiration to young players in several countries.

Tibnine military base, where Italy's peacekeeping contingent was headquartered. Busloads of Lebanese youngsters flocked enthusiastically to the site, where they enjoyed a kick-about in their complimentary Inter Milan jerseys on a former minefield that had been swept by Italian soldiers.

The team's Inter Campus Worldwide project was founded in 1996 at a time when European soccer—rocked by bribery scandals—was taking a serious look at itself and the role their athletic clubs played in the lives of young people. Since then, Inter Milan, known formally as FC Internazionale Milano SpA, has made great strides in ensuring the well-being of at-risk children. Originally founded in 1908, "Inter"—as it is known to its legions of fans—is the only club to remain in the most competitive tier of Italian soccer without having once been relegated to a lower category. The team has won 23 domestic Italian titles, and seven international trophies, including two European Champion cups. Even in this highly competitive environment, Inter has found time to aid children who live in difficult circumstances.

"The concept of the Inter Campus project is to nurture young players in their own environment, close to their families and friends," says Massimo Moretti, head of the program. Inter Campus camps integrate crucial elements in children's lives to provide a safe and secure environment for them to play, learn and grow up. The program contributes to educational facilities and develops programs to deal with social ills such as AIDS and a helping hand to juvenile prisoners. Inter also works to deflate racist and prejudiced attitudes by having young people from different ethnic and religious groups play together on the same field. In Bosnia, for instance, Serbs, Muslims and Croats play together and share in the spirit of sportsmanship.

With campuses in 17 countries—including Mexico, Brazil, Morocco, Israel and China—Inter has assisted over 12,000 children, with the help of over 200 local personnel. The opportunity to relax, have fun and socialize with their peers helps kids achieve some normalcy in their lives. By using the popular appeal of soccer in the world, Inter has kept children away from societal ills such as extreme poverty, drugs, gangs, alcohol and intolerance. Truly a "beautiful game." —CAFER ORMAN

#### INTERNATIONAL VOLUNTEERING

### Practical Help for Practical People

The Mabaale Metalwork and Mechanics group in Uganda was established in 2001 by its ten members and an auto-mechanic kit from Tools for Self Reliance, a U.K. organization fostering grass-roots development. That single auto-mechanic kit, assembled in England from donors' gifts, has had an astonishing effect on the group and the community in Uganda. Members of the Mabaale Metalwork and Mechanics

TFSR sees Africa as a place to empower individuals to take part in the development process. The strategy is simple—to provide rural artisans in Africa with tools and training that will empower them economically.

group have used their income to build permanent homes or to purchase commercial property at local trade centers. The group was also able to buy a generator to better meet the needs of its customers. On top of everything else, the Mabaale group is now able to share its prosperity with the community, offering jobs to outside individuals, while group members use their extra income to hire local people to work on their farms. The Mabaale Metalwork and Mechanics group, however, is not an isolated instance of the impact of Tools for Self Reliance. Many other artisans and craft workers across Africa have similar stories.

Registered in the United Kingdom in 1980, Tools for Self Reliance (TFSR) was started by a handful of First World activists who were disillusioned by their own experiences of development projects in Africa and the failure of overseas development assistance to trickle down to the grassroots. The goal of these activists was to provide "practical help for practical people." Instead of viewing Africa as a macroeconomic development project, TFSR sees Africa as a place to empower individuals to take part in the development process. The TFSR strategy is simple—to provide rural artisans in Africa with tools and training that will empower them economically.

All TFSR projects are based on two central principles. The first is to help individuals become self-reliant. Projects focus on transferring knowledge of the tools and trade to the individuals and communities through training sessions. For example, with sewing machine kits provided by TFSR, one group in Ghana was able to transfer the skills of using and repairing a sewing machine to 19 artisans who could further teach their local communities. The second principle is that people working and living in their own countries are best placed to know their own situations and to decide what is useful to them and what isn't. Therefore, TFSR works with local partner organizations to provide tools and training to people in Ghana, Uganda, Tanzania,

and Zimbabwe. These local partners include the Centre for the Development of People, Girls Growth and Development, Network of Local Artisans, and the Organization of Collective Cooperatives in Zimbabwe.

TFSR is active both in the U.K. and the countries of the local partner organization. In the U.K., the focus is on identifying and forming partnerships with local organizations, designing projects, fundraising and constructing tool kits and sewing kits to send abroad. These kits are the backbone of TFSR's operations and include vital tools ranging from screwdrivers to hand-operated pillar drills.

Once the tool kits and sewing kits are constructed, they are sent abroad to local partner organizations that request specific quantities for local communities and individuals. These local partners work with the communities to train individuals on the use and repair of the tools, giving them the means to be self-reliant. In Uganda, the Uganda Rural Development Training Centre (URDT) has worked with TFSR for over ten years. Projects sponsored by URDT and supported by TFSR include setting up common facility workshops for local people to make car repairs and produce plane planks, as well as networking local artisans to help them organize into local associations. One such association is the Network of Local Artisans in Kasese (NOLA), which itself has since become a local partner organization of TFSR.

Another artisan enterprise associated with URDT, the Banakampala Tailoring and Dobi services, was established in 2003 after receiving a tool kit from TFSR. The experience of one member of the Banakampala group shows how the delivery of the tool kit can affect an individual: Ibrahim Muwonge has been able—thanks to his work in the group—to buy a motorcycle and cattle to improve the situation of his family. It is this impact on the individual and community level that brings TFSR's motto to life—practical help for practical people.

—CATHERINE FISHER

#### INTERNATIONAL VOLUNTEERING

## Helping Lepers Heal and Overcome Stigma

**M**uslim Momin is afflicted with leprosy. Now in his 50s, Momin spent much of his life as a social outcast, stooped by the effects of Hansen's disease, as leprosy is formally known. But this is no longer the case. Now, through the efforts of the Nepal Leprosy Trust, Momin is an active and respected member of his community. He is part of a self-help group with other leprosy victims that has set up a pre-school, installed a water pump, arranged adult literacy classes and established small businesses in the community. Currently, the group is lobbying local government to strengthen the river-

bank against flooding.

Momin is one of many people whose lives have been transformed by NLT's medical and social services. Founded in 1972 as a U.K.-based income-generation project for those disabled by leprosy, today NLT is an autonomous Nepali charity managed and staffed by Nepalis. The group generates 25 percent of its revenue through the sale of handicrafts, with the rest coming from private donations, foundation grants and other charitable sources. Their holistic approach to eradicating leprosy deals not only with the physical challenges of the disease, but also with the social and economic effects of what is still considered a divine curse by many in Nepal. Activities include



The Nepal Leprosy Trust helps those afflicted with Hansen's disease become part of self-help groups that contribute to the community.

everything from the multi-functional Lalgadh Leprosy Services Centre in southeast Nepal—which functions as a clinic, a training center, and a manufacturing operation—to small workshops in and around Kathmandu, which produce Himalayan Handicraft goods in leather, felt and batik that are sold around the world.

If left untreated, leprosy, caused by the bacterium *Mycobacterium leprae*, can cause severe and permanent damage to the skin, nerves, limbs and eyes. Even though the body can be rid of the leprosy bacilli, sufferers are often left with nerve damage that deprives them of the ability to feel. The hands, feet and eyes of those affected by leprosy are most at risk. Without feeling in the limbs, infection and damage often lead to deformity and ulceration.

At Lalgadh, an extensive range of in-patient and out-patient services are offered. These include diagnostic services, multi-drug therapy (MDT), reconstructive surgery, foot-care and physiotherapy. The prevention of impairment and disability service (POID) provides critical education and training for sufferers on preventing and managing impairments. The provision of special footwear and appliances are also offered. As part of this rehabilitation service, the Self-Care

# The holistic approach to eradicating leprosy deals not only with the physical challenges of the disease, but also with the social and economic effects of what is still considered a divine curse by many in Nepal.

Training Centre enables people to take individual responsibility for living with the physical consequences of leprosy. This ensures a successful reintegration of cured people back into their communities.

The STEP concept (Stigma Elimination Program) is the driving force behind NLT's work. Leprosy sufferers, banished to the fringes of society, are equipped to be agents of change in their own lives and in their communities. Self-help groups play a major role in this process. The Trust trains individuals affected by leprosy to go back into their communities and support each other through income generation projects and micro-credits provided by NLT. These self-help groups end up contributing to the wider community, approaching local leaders with ways they can help improve facilities. The groups give those marginalized in society a voice that can be heard and the power to educate their communities about leprosy. Since 2002, 31 self-help groups have been established with a total of 1,100 members. Of these groups, 19 operate without any direct funding from NLT, and two of them have become local NGOs.

All of NLT's work is done on a shoestring budget. With an income of \$563,923 in 2006, 25 percent of which came from income-generation projects, NLT really does make a little go a long way. This is made possible by the commitment of the UK and Ireland-based staff who assist with fundraising and technical support. The four part-time employees and six volunteers are part of a larger network of individuals who give of their time and money in support of NLT's work. In Nepal, the group employs some 180 Nepalis and has government permission to employ up to seven expatriates.

In 2006, the hospital at Lalgadh received 37,902 visits from patients. The center not only serves as a leprosy and skin disease treatment clinic for around 2.5 million people, but also provides general medical services to the surrounding districts.

While no profit is made, a small fee is charged for the general services and footwear. Medicines and treatment is provided to leprosy patients at no cost.

Part of the rehabilitation process is securing a sustainable livelihood. Ganaur Shah, an old man disabled by leprosy, knows this better than most. Forced by leprosy to give up his vegetable-selling business, he spent his time caring for his son's buffaloes and selling their milk, for which he received no payment. Now, after receiving a loan through his self-help group, Ganaur sells milk from his own buffalo. From the monthly profit, he makes a living and can repay the loan.

Between the Leprosy Services Centre and the 200-plus income-generation projects, thousands of lives are touched. While personal health and socioeconomic rehabilitation alone are impressive gifts, the changes that Nepal Leprosy Trust empowers individuals to accomplish in their communities are why it exists.

—DAVID JOHN BAKER

## INTERNATIONAL COLLEGES

### Fairtrade Gives a Fair Shake

When a student at the Queen's University of Belfast grabs an americano at Chapter's Café on the way to a 9 a.m. lecture—a guaranteed minimum portion of the 95 pence price goes to the producers in the developing world. Four hours later, the student buys a banana and orange juice on campus to go with lunch—again, a fair portion of the £1.25 cost goes to producers in the developing world. After a 3 p.m. tutorial is finished, the student goes to a campus café with friends and buys a cup of tea, contributing again to the sustainability of developing world producers. A good day's work: two lectures, one tutorial, 150 pages read and perhaps a couple of quid towards local sustainability and better working conditions



Cocoa farmers from Ghana who are taking part in Fairtrade chocolate production present gifts to then-Chancellor Gordon Brown of the U.K.



for farmers and workers in poor countries.

This student and more than a million others attending universities in the U.K. have the opportunity to make an impact on the sustainable development of poor communities around the world on a daily basis. How? Simply by acting as normal student consumers and purchasing a cup of coffee or a bar of chocolate.

Thanks to the Fairtrade Foundation, Queen's Belfast is one of many universities across the U.K. that offer their students a range of commodity products that pay developing world producers a price that not only covers the costs of sustainable production, but also gives them a little extra to invest in the future of their community. Since October 2003, when Oxford Brookes University (the *other* university in Oxford) became the world's first "Fairtrade University," an additional 60 U.K. universities and colleges have received this status. To gain this recognition, Fairtrade foods must be sold in all campus shops and used in all cafés, restaurants, and bars on campus. In addition, Fairtrade foods, such as coffee and tea, are to be served at all meetings hosted by the university and Student Union and are served in all university and Student Union management offices. Both the university and the student bodies must be committed to increasing Fairtrade consumption on campus.

The University of Manchester turned to sourcing Fairtrade products in 2005 to accomplish "more effective community service" among staff and students, one of the goals of the university's strategic plan. Since then, staff and students alike have been voting with their purchasing power. Every year the university consumes 1.5 million cups of Fairtrade coffee, 300,000 cups of tea, 100,000 cups of hot chocolate, 1 million sachets of sugar, 75,000 bananas, 75,000 bottles of fruit juice and 20,000 chocolate bars. During the 2008 Fairtrade Fortnight, a yearly two-week promotional period, the university launched a Fairtrade Cola, Ubuntu, stocked university bars with Fairtrade wine and sold Fairtrade flowers on Mother's Day. The retail value of Fairtrade foodstuffs sold on the campus is around \$3.7 million per year.

Also the university was the first of 15 U.K. universities to be part of the One Water project. All profits from One Water, a not-for-profit bottled water brand, go to Playpumps, a charity that builds innovative water-pumping devices to deliver fresh, clean water to communities in Africa (see our story on Playpumps in last year's *Index*). According to Duncan Goose, the brain behind One Water, for every 75,000 bottles of water sold, a roundabout play pump is funded. So far the University of Manchester has fully funded two play pumps and is close to funding a further two.

Fairtrade universities are part of the exponential growth in the U.K. Fairtrade movement over the past decade. In the last nine years, estimated U.K. retail sales of Fairtrade products

have jumped thirty-fold from \$33 million in 1998 to \$975 million in 2007. Today, over 3,000 products are available to purchase, from coffee and wine to flowers and chocolate to cotton clothes and soccer balls.

The Fairtrade Foundation, the U.K. branch of Fairtrade Labeling Organisations International, provides the independent certification of the supply chain and licenses the use of the FAIRTRADE mark as a consumer guarantee on products. While goods sold under Fairtrade terms are guaranteed to receive the Fairtrade minimum and premium—the cost of sustainable production plus a little extra for community development—producers are subject to minimum requirements if they are to sell to the Fairtrade label. These include capacity building and economic growth of the organization.

Kuapa Kokoo, a cocoa farmers' cooperative in Ghana, benefits from Fairtrade prices. The organization represents 45,000 of Ghana's cocoa farmers and consists of a Farmers' Union, which elects the cooperative's regional and national representatives; a Farmers' Trust that distributes money from the Fairtrade premium for community projects; and a credit union that offers credit and banking services to the farmers. In this case the premium has gone to fund the building of wells and schools and the development of healthcare and sanitation services. These are developments that benefit not just the farmers, but also the wider community.

With the help of several partners, Kuapa Kokoo launched its own brand of chocolate in 1998 to increase its profitability. All profits from Divine Chocolate are distributed equally among the farmers. Today, Divine Chocolate Ltd. is still co-owned by the cooperative and sells a range of chocolate products in the U.S., the U.K. and other European countries.

Ultimately, Fairtrade is only as successful as consumer power. And students across the U.K. have been exercising this. Universities and their students are making consumption choices and the trade chain is responding. While Fairtrade products are often a little more expensive than other brands, U.K. students are willing to pay the price to help offer developing world communities a better tomorrow.

—DAVID JOHN BAKER

#### INTERNATIONAL VOLUNTEERING

### Aiding Those Left Behind

Caring for China (CFC), which started out as a British agency that sent English language teachers to China in the early 1980s, throws a lifeline to some of those left behind by China's explosive economic growth in recent years. CFC, which employed 188 people in 2006, provides health and education services to orphans and to some of the poorest peo-

ple in China. Except for a small number of overseas volunteers, all the employees are Chinese. While overseas volunteers, often medical professionals, offer specialist advice and training, the vast majority of the work is carried out by the Chinese professionals and staff, ensuring the continued development of local healthcare professionals.

CFC runs its two main programs in the central Chinese province of Shaanxi: Caring for China's Children (CFCC) and Health for China (HFC). The initiatives are operated out of three childcare centers—two in the provincial capital Xian and the third in Hanzhong, a city further south—and a specialist surgery unit at a state-owned hospital. Since 1995, when the first center, Hephzibah, opened in Xian, over 60 percent of the 768 children have been adopted. Those numbers tell only part of the story, however. The majority of the children at Caring for China have physical or intellectual disabilities and other serious medical issues. In 2006, over 90 percent of the children under care had disabilities.

Amy Joy, now 13, was one of those children when she was spotted in a local Welfare Center five years ago by CFC staff.



Orphans at the Shekinah Shalom orphanage in Hanzhong enjoy their new dolls, gifts from a foreign volunteer.

She had severe cerebral palsy, no speech, and was unable to move. After being transferred to the CFC care center in Hanzhong, she was given the care and treatment she needed. It was here she met her new mother, Sheila McNamara, a childcare volunteer from the UK working with CFC. Now adopted and living with Sheila in the U.K., Amy Joy has been quick to learn the language of her new country. Though wheelchair bound, she has made many friends in school and was recently given an Outstanding Achievement Award for remarkable academic progress despite her disabilities.

Hundreds of thousands of babies are abandoned in China every year as the one-child policy and traditional emphasis on male heirs have prompted many parents to abandon girls or boys with special needs at train stations or even along the roadside. CFC staff gives some of these children not only a chance at life, but also an opportunity to know the love of a family and

## Hundreds of thousands of babies are abandoned in China every year as the one-child policy and traditional emphasis on male heirs have prompted many parents to abandon girls or boys with special needs.

to become contributing members to society. While the children are treated primarily for medical issues at the fully equipped pediatric unit in Xian, many resources also go into education and occupational training.

At the "Children's Village" outside Hanzhong, the Sunrise School educates the children and prepares them for the working world. The learning process is tailored to the individual child's needs. For example, the "Little Scholars" class is for children who have physical disabilities but good intellectual ability, while the "Little Workers" class is for those who are intellectually disabled but physically able.

Providing healthcare and education for abandoned children is only part of Caring for China's strategy to develop health services for the 12 million people who live in and around Xian and Hanzhong. In addition to training Chinese professionals to work in their own facilities, CFC runs a variety of childcare and nursing courses for staff from state orphanages. This includes developing trainers and leaders to further educate those in the profession. This way, thousands of children can receive quality care.

The other major CFC program, Health for China, for instance, through agreements with local health authorities, arranges for CFC medical professionals to train village and community doctors in its Rural Development Program. As of September 2007, 80 village doctors had been trained. Free medical care is also offered to the poor in the communities around Xian. For those who cannot reach the health centers, a mobile clinic offers rehabilitation, immunization and preventive care services.

Caring for China received \$850,000 in donations in 2006, including \$207,000 from U.S. citizens and similar amounts from those in the U.K., Australia and Ireland. Among other expenses, this money goes to child sponsorship, paying the wages of the Chinese caregivers and doctors, and to the upkeep of life-saving equipment. This doesn't count the thou-

sands of hours volunteered by medical professionals who train local staff and professionals. While billion-dollar donations grab the headlines, Caring for China demonstrates how far a little can go.

—DAVID JOHN BAKER

#### INTERNATIONAL RELIGIOUS GIVING

### And the Greatest of These Is Love

In 1999, an 11-year-old girl in Thailand named King found out first that her mother, then also her father and sister had AIDS. King's mother was the first to die, and in 2001, her sister, Mai, died at the age of four. As her father grew weaker, King became breadwinner, nurse and housekeeper. Then a local Thai partner of a Scandinavian aid group, Norwegian Church Aid, heard of King's situation, and sprang into action. Aided by funds from the Norwegian group, the local partner, Fung Sai, gave King a plot of land for growing vegetables and raising poultry. They also financed proper medical attention for King's father, and gave King a scholarship that enabled her to continue her education. Today, King attends the University of Rajahbat in nearby Chiang Rai. King will never get her family back, but with the help of NCA, she has regained her life.

Norwegian Church Aid grew out of the ashes of World War II, when the Protestant National Association in Norway raised funds to relieve the suffering of the civilian population in a Germany wasted by its defeat in the war. German forces had occupied Norway during the war, but in 1947 the church group allowed love to triumph over bitterness and took the initiative to aid the population across the North Sea.

In 1953, Norwegian Church Aid became a permanent organization and in 1962 it expanded its work from disaster relief to long-term development projects. Today, NCA works with over 500 local partners through 25 regional offices in 65 countries. The organization is supported by the Protestant churches of Norway, and is considered the group's instrument for global justice. Total income peaked at \$144 million in 2006, with the government providing roughly half of this to form an effective public-private partnership. The remaining funds are derived from various sources, including the fundraising Lenten Campaign, the Christmas gift shop, bequests and donations

from corporations and other organizations. The funds are allocated to several focus areas: HIV/AIDS, gender-based violence, water and sanitation, peace-building and community restructuring, civil society and good governance. NCA's work has touched many such as the Thai girl King who are in need.

An NCA project in Afghanistan shows another type of work undertaken by the group. The NCA aided the successful implementation of a solar panel project in a village in the Faryab province of Afghanistan, as part of the "barefoot engineers" program in India and other developing countries.

In 2004, Norwegian Church Aid began to search for an effective and suitable source of energy for poor villagers in Afghanistan. The majority of people in the country have no access to electricity. The inhabitants rely on diesel, wood, and kerosene to perform daily activities such as cooking and lighting. These energy sources are expensive, ineffective and harmful to both the environment and the women who operate them. Because the country enjoys 300 days of sunlight a year, solar energy was a natural choice to help remedy this situation. To

ensure that the village selected for the project would be financially and technically self-sufficient, the villagers were included throughout the process. They determined how much they were able to pay for electricity, and selected their own representatives, one male and one female, to lead the project. The representatives were then sent to the Barefoot College in Tilonia in the Indian state of Rajasthan to study the engineering of solar panels. Upon



Norwegian Church Aid helped Thai student King care for her family when they suffered from AIDS and supported her at university.

their return, they had gained both the confidence and the skills necessary to install and operate solar panels. They are now responsible for training new technicians.

With the electricity generated by the solar panels, women were able to increase their productivity by creating marketable crafts in the evening, while children, who spend most of the day working, can study in the evening. Not only has this project provided energy for the villagers, it has both improved women's health and elevated women to a position of higher influence within their societies. The project is now being extended to other villages.

So the NCA continues the work around the world that it began 60 years ago. The motto for its Lenten Campaign in 2008 shows that the objective remains much the same: "War and terror steal dreams. Together we can take them back." It's a plea for help that many Norwegians, now as well as then, find difficult to resist.

—INGRID BJERKE









A group of Indian school children rides a cycle van to reach school near Kolkata. India is the leading recipient of remittances.

## GLOBAL REMITTANCES

# Sending Money Home

For a long time, remittances were mostly just a line item in balance of payments tables, part of the invisible transfers in international payments flows that were not actually captured in statistics but included as estimates to round out the figures that were. With the globalization of the economy and the greater movement of labor worldwide, however, these funds that migrant workers send back home have reached a level that is attracting much more serious attention.

Developing countries received a record high \$221 billion in remittances in 2006, coming from all countries.<sup>1</sup> A growing body of research shows that remittances have a positive impact on the individuals, communities, and the countries that receive them. On the micro level, remittances play an important role in alleviating poverty by supplementing the income of individuals and providing added resources to communities.<sup>2</sup>

Money sent back by a family member working abroad helps households purchase basic goods, or pay for education and healthcare, or fund businesses and create jobs that reduce poverty. On the macro level, remittances are an important source of foreign exchange for developing countries.<sup>3</sup> These flows provide critical capital flows that supplement those from foreign direct investment, portfolio investment, and exports. Remittances can finance a developing country's current account deficit, bolstering the overall balance of payments and supporting its currency.

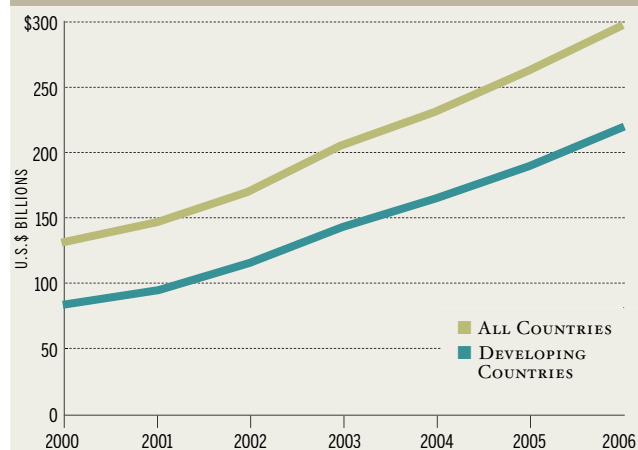
### REMITTANCE FLOWS

In 2006, remittances sent home by migrants working abroad to all countries around the globe, both developed and developing, reached an all-time high, according to World Bank figures.<sup>4</sup> Total remittance inflows for all countries reached an estimated \$297 billion in 2006. This is more than double the amount in 2000. The developing country inflows of \$221 billion represented 74 percent of total remittances (see Figure 1 below).

Developing countries that received the most remittances in 2006, based on World Bank estimates, were India, with \$25.7 billion; Mexico, with \$24.7 billion; China, with \$23.3 billion, and the Philippines with \$14.9 billion.<sup>5</sup>

FIGURE 1

Remittances Received by All Countries and by Developing Countries in Billions of \$, 2000-2006



Source: World Bank, *Migration and Remittance*, 2007

These countries account for 40 percent of total remittance inflows and continue to receive the lion's share of remittances since they have the largest migrant populations throughout the world. However, countries receiving much smaller amounts of remittances can also register a big impact from these payments.

With just over \$1 billion in remittances in 2006, Tajikistan, one of the Central Asian republics that used to be part of the Soviet Union, received only a fraction of the \$25.7 billion in remittances that went to India, one of the world's largest emerging economies. But, as can be seen in Table 1 on page 64, that much smaller amount represented more than a third, 36 percent, of Tajikistan's total gross domestic product. India's remittances, on the other hand, made up only 3 percent of that country's GDP.

Looking at another measure of the significance of these inflows, Tajikistan's remittances were more than eight times the capital coming in through foreign direct investment (FDI). Even for India's much bigger economy, remittances were more than three times FDI inflows.

The story is similar for Moldova, a sliver of a country in Eastern Europe, also part of the former Soviet Union. In all 3 countries remittances vastly exceed ODA, ranging from 2 to 12 times larger. Nearly half of Moldova's remittances, 47 percent, are in the informal sector of the economy (compared to only 16 percent for India). These funds can provide even more leverage when they are ultimately channeled into the formal financial system.

The World Bank's Migration and Remittance Team, led by senior economist Dilip Ratha, sees a number of economic and political factors accounting for the large increase in remittance flows since 2000. First, the increased pressure to monitor financial flows since the terrorist attacks in September 2001 has provided better data on financial flows worldwide. Second, the reduction of transaction costs and the expansion of financial services for remittances have provided individuals with more opportunities to send money back home. Third, the depreciation of the U.S. dollar has increased the value of remittances sent in other currencies. Finally, Ratha's team found, the growth in the number of migrants working abroad and the increase in their earnings have boosted the amount of remittances being sent back home.

## Capitalism, Remittances and Democracy

Economists are paying more attention than ever to remittances, but the political impact of these capital inflows has often been overlooked. An analysis of how remittances affect democratization in Mexico shows that their political impact is increasingly important.

Remittances to Mexico totaled \$24.7 billion in 2006, making the country one of the world's largest recipients.<sup>1</sup> Citizens received \$242 per capita on average, up from \$77 in 2000.<sup>2</sup> In high-migration intensity states, this number even rose to over \$600.<sup>3</sup> Parallel to this rise of family remittances, Mexican hometown associations (HTAs) in the United States have multiplied in number to over 2,000.<sup>4</sup> Their collective remittances finance 20 percent of public works in recipient communities.<sup>5</sup>

Three key macroeconomic effects of remittances impact democratic consolidation in Mexico: remittances impinge on the magnitude and distribution of the Mexican GDP; the country's economic stability; and its foreign exchange reserves.

According to a 2007 World Bank study, remittances promote economic growth in Mexico, albeit only to a small extent.<sup>6</sup> More important, they significantly reduce inequality, as measured by the GINI coefficient, since they flow in large part to municipalities that are rural and highly marginal. Growth and declining inequality are important for sustaining a democratic regime.

Since the majority of remittances are sent to support family members in migrants' home countries, they tend to rise whenever GDP per capita falls. During the so-called Tequila crisis in 1994, when the peso was drastically devalued, for

instance, the number of remittance recipients in Mexico increased from 665,000 to over 1 million within one year. The resulting stability—similar to economic growth and inequality reduction—can contribute to democratic regime durability.

In 2006, remittances were Mexico's second-largest foreign exchange inflow, equal in value to 70 percent of the country's oil exports. In contrast to exports of goods, however, exporting labor does not require building up infrastructure that helps develop productive capacity. As labor exports nonetheless lead to remittances and thus foreign exchange receipts, the pressure to undertake reforms needed for export-led growth is attenuated.

At the same time, remittances may weaken the reliance of households on political patronage, thus contributing to electoral victories by opposition parties. Those municipalities which elected opposition parties between 2000 and 2002, for instance, received on average over one-third more in remittances per household than those which remained loyal to the state party, PRI.<sup>7</sup> Elections are a key element of vertical accountability, ensuring the responsiveness of the government to the demands of its citizens. They were vitally important to Mexico's democratization as the country's transition came in large part through the ballot box.

While much smaller in absolute terms than family remittances, remittances from hometown associations have a huge impact on communities. These funds represent on average more than 20



Entire villages in Mexico benefit from remittances.

percent of the municipal budget allocated to public works in the recipient communities,<sup>8</sup> in part because they are highly concentrated—nearly two-thirds go to the four states Zacatecas, Guanajuato, Jalisco and Michoacán.<sup>9</sup>

To encourage this flow, the Mexican government co-finances collective remittances through the "3-for-1 program," which federal, state and municipal governments each contribute one dollar for every dollar raised by HTAs. This type of public-private partnerships can improve governance in recipient communities by providing a platform for negotiations between migrants, communities and the three layers of government.<sup>10</sup> Mexican migrants, exposed to an established democracy in the U.S., are thought to transmit and demand democratic values and behavior,<sup>11</sup> and this flow of ideas, termed "social remittances,"<sup>12</sup> helps promote a culture of accountability and transparency in their home country.<sup>13</sup>

With remittances playing such a large role in the Mexican economy and culture, following their impact on democratic practices there and throughout the developing world will be important in measuring their full impact.

—CHRISTIAN SCHUSTER

TABLE 1

**The Impact of Remittances on the Economies of India, Moldova, and Tajikistan, 2006**

	India	Moldova	Tajikistan
<b>Total Remittance Inflows in 2006</b> (billions of U.S.\$)	\$25.7	\$1.2	\$1.0
as a % of GDP	3%	36%	36%
as a % of Foreign Direct Investment	323%	463%	855%
as a % of Official Development Assistance	1,235%	480%	193%
<b>Share of Formal and Informal Remittances</b>	84%–16%	53%–47%	n/a

Source: Migration Policy Institute, *Remittance Profiles*, 2007.

### REMITTANCES FROM DONOR COUNTRIES TO THE DEVELOPING WORLD

The main focus of our report on remittances is the outflows of remittances from the 22 donor countries on the Development Assistance Committee (DAC) to the developing world. The *Index* estimates that in 2006 these remittances totaled \$122.4 billion, an 8 percent increase from our 2005 estimate of \$112.8 billion. The 2006 total exceeds Official Development Assistance and is 63 percent of all private investment and lending to the developing world. These remittance estimates are based on data from multilateral agencies. Details on how we arrived at the remittance calculations can be found in the Methodology section on page 68.

#### REMITTANCES FROM THE U.S.: \$71.5 BILLION

A detailed breakdown of remittance estimates for the donor countries in 2006 is shown in Figure 2 on page 65. The United States sent the most remittances to the developing world, totaling \$71.5 billion, a 16 percent increase from 2005. The main recipients of these remittances were countries in Latin America and the Caribbean, as can be seen in Table 2 on page 66. These countries received \$45.3 billion in remittances from the U.S., or 63 percent of the total sent from the U.S. to developing countries. Mexico was once again the largest recipient of remittance outflows from the U.S., receiving an estimated \$20 billion in 2006. Countries outside of Latin America that also received large amounts of remittances from the U.S. included the Philippines, with \$7.6 billion; India, \$4.8 billion; and China, \$4.5 billion.

#### REMITTANCES FROM EUROPE: \$36.8 BILLION

Remittance outflows from European donors totaled \$36.8 bil-

lion in 2006, an increase of 5.1 percent from the 2005 estimate of \$35.0 billion. Germany topped the list of European countries in the amount sent to developing countries. Remittance outflows from Germany totaled \$6.8 billion in 2006, a 26 percent increase from our 2005 estimate. The major recipients of these flows were Serbia and Montenegro, Lebanon, and Turkey. Other European countries with large remittance outflows include Spain, the United Kingdom, and France. The most significant single remittance corridor of the European countries is Spain to Latin America. In 2006, migrants living in Spain sent an estimated \$4.7 billion in remittances to Latin America.<sup>6</sup> This was a record high for remittances sent from Spain to any region, as well as remittances sent from a European country to any single region.

#### REMITTANCES FROM OTHER DONOR COUNTRIES

Other donor countries—Canada, Japan, Australia, and New Zealand—had an increase in remittances to the developing world in 2006. Remittances from Canada totaled \$6.8 billion in 2006, the second highest outflow from donor countries after the United States. Japan also sent a large share of remittances to the developing world, totaling \$3.7 billion. Remittance flows from Australia and New Zealand totaled \$3.2 billion and \$330 million respectively.

#### LEVERAGING REMITTANCES FOR DEVELOPMENT

With remittances outpacing ODA and predictions that this pattern will continue in the following years, more attention is being paid to how these capital flows can be better leveraged for economic growth. Governments and civil societies both in the countries that send remittances as well as those receiving them are looking for ways to multiply the positive effects from remittances.

Remittances channeled through the formal financial system have an important role in bringing poor people into the financial services sector. “The notion that remittances can lead to financial development in developing countries is based on the concept that money transferred through financial institutions paves the way for recipients to demand and gain access to other financial products and services, which they might not have otherwise,” says Manuel Orozco, a leading scholar on migration issues.<sup>7</sup>



At the macro level, a World Bank study found that remittances translate into bank deposits and credits at a one-to-five ratio—that is, a 1 percentage-point increase in remittances as a percent of GDP leads to an approximately 5 percentage-point increase in bank deposits and bank credit as a percent of GDP.<sup>8</sup> Additionally, the research showed a positive link between remittance recipient households and the use of financial institutions. Households receiving remittances through financial institutions

were more likely to have bank accounts and receive bank credit than households not receiving funds through financial institutions. For example in El Salvador, remittance-receiving households are twice as likely to have deposit accounts in financial institutions when remittances are channeled through banks.

El Salvador is also the home to another type of program for leveraging remittances, “Joining Hands for El Salvador.” This private-public partnership was founded by Banco Agrícola, in conjunction with the Pan American Development Foundation, together with Salvadoran migrants living in the U.S., and their communities of origin. The objective of the program is to provide more and better educational opportunities for children in El Salvador through community projects implemented trans-nationally by Salvadoran migrants living in the U.S. Two-thirds of the funding for the

projects selected comes from Banco Agrícola, while the remaining one-third is supplied by U.S.-based migrants through remittances and gifts-in-kind.

The program has produced impressive results. An estimated 28,500 students in El Salvador and 39 Salvadoran hometown associations in the U.S. have benefited since the program began in 2004. Fifty educational projects have been completed to date, including computer centers, expanded or remodeled schools, student resources centers, libraries, science laboratories, and other initiatives.

In the remote mountain village of Santa Marta, for example, Joining Hands, with the help of remittances from migrants in the U.S., invested more than \$52,000 to build a brand-new computer lab and science lab in the village school, making it the only one of its kind in the area. “Twenty years ago, this seemed like a dream,” says school principal Juan Argueta. “Now it’s a reality. Despite that fact that we come from such a poor community, our students can receive an education that is just as good as or better than in urban schools.”

#### ENHANCING REMITTANCE FLOWS

Governments in countries receiving remittances can enhance the benefit from these capital inflows by

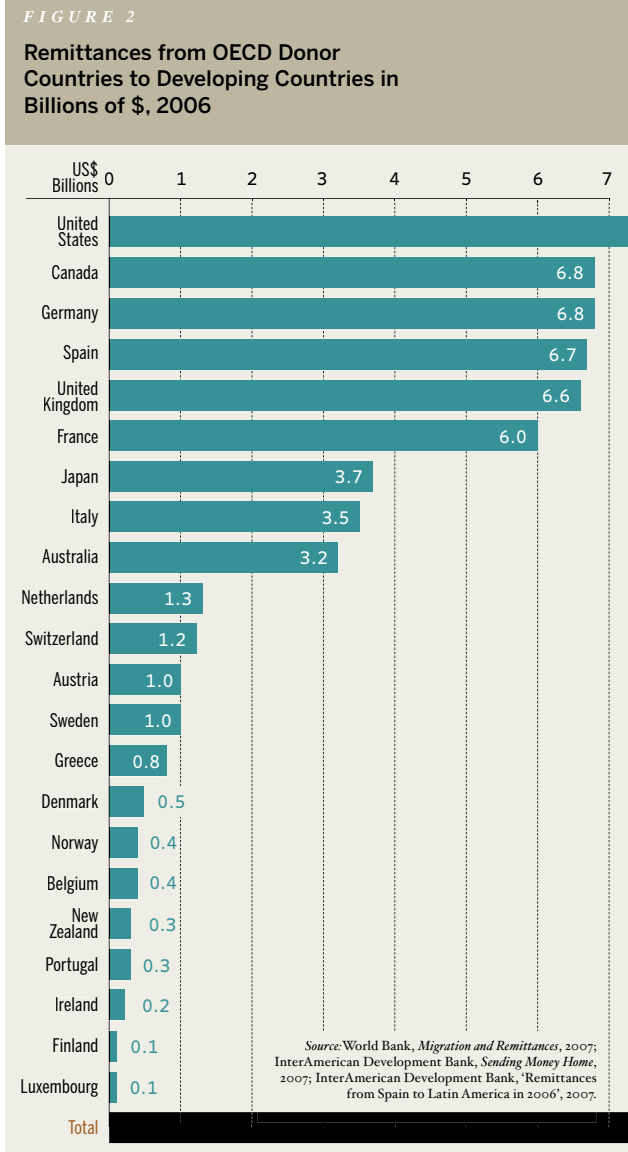


TABLE 2

Remittances from the U.S. to Developing Countries by Region in Billions of \$, 2006

Region	Remittances Received
<b>Latin America and the Western Hemisphere</b>	<b>45.3</b>
<b>Asia</b>	<b>21.1</b>
Philippines	7.6
India	4.8
China	4.5
<b>Africa</b>	<b>1.5</b>
<b>Middle East</b>	<b>2.6</b>
<b>Eastern Europe</b> (excluding the E.U.)	<b>1.0</b>
<b>Total</b>	<b>71.5</b>

Source: World Bank, *Migration and Remittances*, 2007; InterAmerican Development Bank, *Sending Money Home*, 2007.

enacting policies that promote them. Many developing countries understand the importance of remittance inflows and have provided a variety of incentives including: 1) tax breaks on interest earned from remittances; 2) special category deposit accounts that allow the holders to keep their money in foreign currency and draw special interest; 3) matching of collective remittance funds as done through hometown associations, and 4) investment opportunities for migrant returnees, such as preferential access to capital goods and raw materials.<sup>10</sup> Not only are these countries promoting policies that channel remittances through the formal financial system, but they are supporting long-term poverty reduction in the countries by providing incentives that increase saving and investment opportunities. Other developing countries, however, still have policies that effectively hinder remittances and prevent them from entering formal financial systems.<sup>11</sup> Some of these policies limit the amount of foreign exchange in the country or actually tax remittances. For example, remittances in Ecuador, one of only a handful of countries that still tax remittances, are charged a 12 percent value-added tax.

The private sector also has a role to play in leveraging remittances for development.<sup>12</sup> Financial institutions both in countries that receive and send remittances have begun to see the benefit of these flows not only for development, but for their own businesses. (See the story on page 67 about what Wells Fargo is doing in this regard.) In countries that send remittances, the financial sector has begun to reduce remittance costs and promote cross-selling of other financial services. The financial sectors in countries that receive remittances have begun to securitize against future remittances flows to fund projects. The strategies work in both cases because of the stability of these flows. Microfinance institutions can also rely on this stability, using the history of remittance flows as a way of measuring creditworthiness in potential customers.

## FINANCIAL LITERACY OPENS DOORS

While 80-90 percent of money sent home to developing countries goes to pay for basic needs, the remaining 10-20 percent of it may be put into savings and investments, either by individuals or communities that receive them, according to one international agency estimate.<sup>13</sup> If more of these savings went into bank accounts rather than a sock under the mattress, these funds could achieve greater

leverage for economic development.

A number of obstacles keep these funds out of banks. One of the biggest obstacles is migrant workers' distrust of financial institutions, based on bad experiences back home, inability to communicate with bank employees in the host country, or just lack of knowledge about how banks work and what services they offer. To overcome some of this resistance, many organizations focus on increasing financial literacy among migrant workers.

Migrants sending money home have the most important role in getting these funds into the financial sector with their choice of formal or informal means of remitting. While they control the flow of money that goes back to their families, they cannot control some factors that influence the amount of money actually collected by their families. High transaction fees, undisclosed operation fees, unfavorable exchange rates, and excessive insurance for the transaction can swallow up a good chunk of the remittance payment before it reaches the final destination. One of the goals of a financial literacy program is to educate remitters about these costs and how they can preserve more of their money by using the financial system.

Non-governmental organizations, corporations, and multilateral agencies have developed a wide variety of financial literacy programs, from simple pamphlets in multiple languages to closed circuit television programs in embassies. The Appleseed Foundation, a Washington D.C.-based NGO, for instance, provides migrants with educational pamphlets on financial topics. These pamphlets, available in English and Spanish, not only explain how to send money

## The Wells Fargo Wagon Still A-Comin' Down the Street

The folks who inhabit River City, Iowa, in Meredith Willson's *The Music Man*, wait expectantly every week for the Wells Fargo wagon to come down the street and bring them maple sugar, curtains or a gray mackinaw from a distant shop. The former stagecoach operator, now a diversified multinational bank based in San Francisco, is still bringing good things to people in remote small towns, but in a much different way. The bank has worked to build up its business of sending remittances from migrant workers in the United States to their families in Latin America and elsewhere.

In an effort to make sure the product still gets to its end destination, the bank has established a special customer service for global remittances. Members of this in-house team are more likely to understand the customers' problems: Virtually all of them come from countries that receive remittances and they use these remittance products themselves to send money home. They are able to help because they understand the issues with remittances and can literally speak the language of the customers who call in with their problems.

This expertise benefited Juanita Alvarez when she had a problem with her remittance transfer. (Juanita's name has been changed to protect her confidentiality.) Juanita had used Wells Fargo's International Remittance Account Services to send money from her home in California to her mother in Guatemala. The service allowed her to transfer money from her Wells Fargo account to an account in Guatemala. Once the transfer was completed, Juanita provided her mother with the corresponding account number to take to the partner bank in Guatemala and pick up the money.

After she rode for hours from her village to the nearest town with a branch of the partner bank, Juanita's mother arrived there only to be told that the account did not exist. There was no further explanation, and so the mother returned home without the money. When Juanita heard what happened, she called the Global Remittance Customer Service department at Wells Fargo.

After confirming that the account did in fact exist, the Wells Fargo representative suggested that Juanita call her mother to confirm the account

number. The mother told her daughter that the number was right, but the Wells Fargo representative, based on his own experience remitting home, suspected the problem wasn't the account itself. Rather, it was more likely that the mother, who was illiterate, was not writing it down correctly, and was too embarrassed to admit to her daughter that the fault might be hers. He called the mother himself and asked to speak to another family member to verify the number once again. The mother's six-year-old grandson was able to get the account number right so that she could return to the bank and get her money.

Illiteracy, transportation, and the accessibility of financial institutions are some of the most common problems in sending remittances. For the Wells Fargo representative in this case, the call was personal because it was about a remitter who, like himself, had encountered one of the many roadblocks to sending money back home. In line with Wells Fargo tradition, he was able to help out in this instance and get the money to its destination.

—CATHERINE FISHER

back home, but how to open a checking or savings account, how to buy a home, and how to reduce taxes.<sup>14</sup>

While our focus in this report is on 2006, early indications are that several global macroeconomic factors combined in 2007 to alter remittance flows. Chief among these were the dramatic fall of the U.S. dollar against most other currencies and a slowdown in the U.S. economy toward the end of the year, which may turn into a full-blown recession in 2008.

These factors may have combined to actually reduce overall remittance flows out of the U.S. Not only do migrant workers who remain send home less, it may be worth less when exchanged into the receiving country's currency because of the

dollar's decline. The economic slowdown in the United States also means that some migrant workers are leaving the country, either to return home, where there may actually be more opportunities right now (as seems to be the case in Brazil), or to other developed countries with more opportunity and a stronger currency, such as Canada, Australia or European Union countries.

However, it is too early to tell how the situation will affect remittance flows globally in 2007, and whether increases from some countries will compensate for the possible decline in the U.S. That will be the focus of our report on remittances in next year's *Index*. ■

## MEASURING INTERNATIONAL GIVING

# Sources and Methodology

### U.S. International Giving

#### Foundations

The Foundation Center provided the data on U.S. foundations' 2006 giving to the developing world to the Center for Global Prosperity. Supported by over 600 foundations, the Center is the leading U.S. authority on foundation philanthropy. It maintains a comprehensive database on U.S. grant-makers and their grant-making programs. The center conducts research, education and training programs, and serves as a forum for nonprofits and grant-makers to share knowledge and thus to advance philanthropy.

The Foundation Center's overall estimates of international giving by foundations include all grants awarded by U.S. foundations to recipients outside the U.S. and its territories, and to U.S.-based international programs. The figure for foundation giving for developing countries includes: 1) grants that go directly to developing country recipients for projects in program areas including international development and relief, the environment, education, and human rights and civil liberties; 2) grants to U.S.-based international programs benefiting developing countries; 3) and, grants for global health programs. Countries were classified as "developing" based on the 2006 "Official Development Assistant Recipient List" of the Organization for Economic Cooperation and Development (OECD).

The Center's estimates of overall foundation giving for developing countries were prepared based on an analysis of grants of \$10,000 or more awarded by a sample of 1,263 of the largest U.S. foundations and on total actual giving (including grants of any amount) by all 71,000+ U.S. grant-making foundations. The 1,263 foundations included in the grants sample awarded 140,484 grants totaling \$19.1 billion, which represents over half of total grant dollars awarded to organizations by all U.S. independent, corporate, community and grant-making operating foundations in 2006. International giving by foundations in the sample accounted for just over 70 percent of total international giving by all U.S. private and community foundations.

The Foundation Center determined that overall giving to international causes worldwide was \$6 billion (\$6,011,996): \$5.6 billion by independent, community, and operating foundations and \$408 million by corporate foundations. The Foundation Center estimated the proportion that targeted the developing world based on a detailed analysis of its entire grants data set for 2006—closely examining the geographic focus of giving—and actual giving by all grant-making U.S. foundations. The estimated ratio for foundation giving for developing countries as a share of international giving for non-corporate foundations was 71.3 percent. Applied to the figure of \$5.6 billion in overall international giving by non-corporate foundations, the Center derived the figure of \$4 billion

reported in the *Index*. International giving for developing countries by corporate foundations was also estimated, but this figure is accounted for in the corporate giving section of the *Index*.

#### Corporations

For this year's *Index* we once again worked with the Committee Encouraging Corporate Philanthropy (CECP) and the Partnership for Quality Medical Donations (PQMD) as partners to calculate U.S. corporate giving to the developing world. In addition, the Center for Global Prosperity (CGP) systematically reviewed giving information for Fortune 500 companies whose giving was not included in either CECP or PQMD reporting.

The total corporate philanthropy figure of \$5,492,857,883 includes \$205,034,320 in cash and in-kind contributions from corporations and corporate foundations surveyed in a CECP study; \$4,777,755,840 by PQMD member organizations in in-kind medical donations, including transport, duties, storage and in-country transport; and, \$510,067,723 in corporate giving gathered by researchers at the Center for Global Prosperity through research on companies not included in the CECP and PQMD surveys.

The Committee Encouraging Corporate Philanthropy is an international forum of corporate CEOs and chairpersons dedicated to raising the level and quality of corporate philanthropy by engaging the public, private and independent sectors.

CECP conducts an annual survey of corporate giving among its more than 150 members. In addition, CECP conducted a special follow-up survey for CGP that focused on U.S. giving to the developing world. Whenever available, CECP used figures reported by companies providing dollar amounts for giving to the developing world. For those companies that did not provide such data, CECP developed a ratio of giving that went to the developing world in total cash and in-kind giving. This ratio was created using data from the set of companies that responded to the CECP and follow-up survey done for CGP. The average proportion across companies was 58 percent. For each company that only responded to the annual CECP survey, analysts then multiplied total international giving by 58 percent to arrive at the correct proportion for the developing world. This process, in combination with the responses to the follow-up CGP survey, resulted in a total of \$171,755,230 in cash and in-kind giving to the developing world.

This calculation excluded giving by pharmaceutical companies, whose in-kind contributions are reported separately in the *Index* based on information provided by PQMD (see below). In the CECP survey, six pharmaceutical companies reported international cash giving. Two of the six provided specific dollar figures for cash giving to the developing world; the remaining four provided figures of their entire giving to international causes without a breakout for developing countries. PQMD informed CGP that approximately 10 percent of cash giving by pharmaceutical companies goes to the developing world. Using this estimate, CECP calculated a total of \$33,279,090 for cash giving by pharmaceutical companies. Adding \$171,755,230 and \$33,279,090 results in the CECP figure of \$205,034,320.

The Partnership for Quality Medical Donations comprises non-governmental organizations and pharmaceutical and medical supply manufacturers dedicated to effective pharmaceutical and medical supply donations, delivery and distribution of medical products.

A PQMD survey found in-kind donations for international development causes by U.S. pharmaceutical companies and medical supply manufacturers to be \$3,341,088,000 for 2006. About 95 percent of this figure reflects donations for which specific figures were available; PQMD interpolated the remaining 5 percent based on 2005 figures and the rate of growth for 2006. Based on information provided by companies and by private and voluntary organizations, we obtained percentage estimates for all the add-on costs that companies pay to get their products to recipients in the developing world. There is a 10 percent



add-on for transport, insurance, and handling, totaling \$334,108,800; an 18 percent add-on for duties, taxes and tariffs, totaling \$601,395,840; and, a 15 percent add-on for storage, distribution, and in-country transport, totaling \$501,713,200. Adding these additional expenses to the \$3,341,088,000 provides us with a pharmaceutical and medical supplies giving number of \$4,777,755,840.

The Center for Global Prosperity conducted an extensive review of Fortune 500 companies not represented in either the CCEP or PQMD surveys. They conducted this research through a review of annual reports, Internet searches, and telephone contacts of approximately 400 of these companies, tallying a total of \$510,067,723 in cash and in-kind giving from 104 companies for which figures were available.

### Private and Voluntary Organizations

CGP once again collaborated with the Urban Institute's Center on Nonprofits and Philanthropy (CNP) to determine the dollar value of private international development assistance projects run by private and voluntary organizations (PVOs). Building on its earlier research on international PVOs, the CNP examined approximately 4,300 "990" tax-exemption forms that PVOs filed with the Internal Revenue Service, primarily for 2006 (for 2005 when 2006 was not yet available). The CNP also used some information from the 2007 USAID Report on Voluntary Agencies (VolAg) list, reflecting 2005 data, for relevant agencies that did not file 990s, the most recent report available.

This group of organizations included newly registered PVOs with an international focus. To add this cohort to the study, the data set of all nonprofit organizations newly registered with the IRS for the 2005/2006 period (organizations not captured in last year's effort) was processed using an automated classification program that removed organizations that had no international projects. For example, all community theaters and neighborhood associations were excluded because they would be domestic organizations. Environmental, human service, or health care organizations that could have both domestic and international activities remained. In order to align the CNP data set with CGP specifications, the CNP removed all organizations that primarily supported activities in developed countries. Any organizations showing any possible international development activity were manually reviewed.

A number of approaches were required to differentiate international and domestic program activities, expenses and contributions for these organizations. For each of the largest 150 organizations not on the VolAg list, the CNP reviewed "990" forms, organization websites, and annual reports to help to determine the international to domestic ratio. For organizations included in the 2007 VolAg list, the CNP used the ratio of international to domestic program expenses, individually calculated for each organization. In some cases, precise numbers could be determined; in others, the CNP used the best available information to estimate the ratio. For smaller organizations not included in the VolAg report, the CNP sampled 100 990-forms of randomly selected organizations in order to determine the average distribution of domestic and international activities. For this sample of smaller organizations, the CNP determined the percentage of total activities accounted for by international activities. The CNP then applied this percentage to the total private contributions of organizations not included in the 990-form top 150 list or the VolAg organizations not filing 990s, including both cash and in-kind contributions, to determine the total amount of PVO contributions for international activities.

The CNP worked with the Foundation Center to eliminate double-counting that could occur if foundation grants to PVOs were included in the private contributions reported by the PVOs in 990s or the VolAg report. To eliminate this double-counting, the CNP prepared a list of the 200 largest PVOs. The Foundation Center matched this list with the grants received by the organizations and determined whether or not the grants were intended for developing countries. The total amount of international foundation grants to U.S.-based organizations for

development purposes, approximately \$841 million, was subtracted from the estimate or private contributions for development determined from the 2006 PVO database total—approximately \$13.73 billion—resulting in a subtotal of \$12.9 billion.

In order to eliminate double-counting of corporate contributions of pharmaceuticals and other medical supplies or equipment that are accounted for in the Corporations section of the *Index*, CNP reviewed the VolAg data and 990 forms for all organizations active in "health development and assistance." These organizations reported a total of \$2.3 billion in in-kind contributions. This amount was deducted from the private contribution subtotal of \$12.9 billion, resulting in a final total of \$10.6 billion in private contributions received by U.S. PVOs and spent in international relief and development.

The CNP conducted a "matched set" comparison of donations by over 2,000 PVOs in 2005 and 2006, indicating an overall drop of approximately 10 percent across the entire group, with the largest PVOs showing the greatest percentage drop and smaller organizations showing modest increases. Experts conjecture that some global organizations such as the Red Cross redirected funds that had in the past gone to international causes to the U.S. for Hurricane Katrina relief, thus reducing their proportion of funds that went abroad. In addition, the 2005 figures included funds responding to needs following the late 2004 Asian tsunami. This year's figure reflects notable increases in foundation grants and in-kind pharmaceutical donations, and thus attendant increases in the subtractions from the CNP database, as well as refined methodological screens by CNP resulting in more precise calculations.

### International Volunteer Time

The *Index* estimate of the value of U.S. volunteer time for developing countries in 2006 is based on a new methodology and the use of new data sources. Previous editions of the *Index* based their estimates on a 2001 Independent Sector study of volunteer time and a Bureau of Labor Statistics/Independent Sector calculation of a volunteer's average annual wage. Because the Independent Sector study has not been updated, we sought an approach that would use more recent data and thus turned to the latest survey data on volunteerism collected by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS) and the relevant BLS/Independent Sector calculation of the average annual wage.

The U.S. Census Bureau conducts the monthly Current Population Survey (CPS) of about 50,000 households for the BLS. This survey, which recently added a volunteer supplement, is the foremost source of information on U.S. labor force characteristics. Recent studies on American domestic and international volunteerism from Washington University in St. Louis and the U.S. Corporation for National and Community Service (CNCS) also base their calculations and analyses on these data. Once we confirmed with Independent Sector that their study has not been updated since 2001 and given that the CPS was now including some information on international volunteerism, we turned our attention to using this data, devising a new methodology that would yield information on volunteering for international assistance causes. We consulted with researchers at the Center for Social Development at Washington University and with BLS staff familiar with the CPS volunteer supplement on determining the most accurate method of capturing the value of U.S. volunteerism for international development assistance causes in its entirety using available CPS data.

While Washington University only calculates the value of time volunteered outside of the U.S. and its territories, the *Index*, wishing to capture the figure for overall assistance to the developing world, includes in addition to those people who volunteered abroad, those who volunteered in the U.S. for an organization that supports international development assistance. We thus focused on two groups of people who answered the volunteer supplement: those who volunteered for an international type organization; and those who indicated that they volunteered outside of the U.S.

The CPS volunteer supplement's universe is all U.S. volunteerism. *The Index of Global Philanthropy's* focus is the subset of volunteerism for international development assistance causes. As discussed above, the *Index* defines volunteerism for international development assistance causes to include those volunteers who traveled abroad, and those volunteers who volunteered in the U.S. for organizations that support international development assistance. The CPS tallies individual volunteer time spent abroad and—separately—the type of organization for which the individual volunteered. Thus we know overall how many people volunteered abroad and how much time they spent doing so and we know how many people volunteered for U.S.-based international “type” organizations and how much time they spent for those organizations. For this second category—the broad metric of Americans who volunteered for international “type” organizations, the data does not provide a breakdown of where the time was spent—i.e. abroad or in the U.S.

Because the BLS analysis of the CPS data does not distinguish between volunteering at home and volunteering abroad for an international type organization, survey respondents who volunteered for an international type organization and answered that they volunteered abroad might be counted in both groups. To avoid this double-counting, we used Stata, a statistical analysis software package, to eliminate those people from the international type organization group who had also volunteered for abroad. This analysis left us with two completely distinct groups of volunteers: those who volunteered abroad and those who volunteered in the U.S. in support of international development assistance causes.

We then calculated the value of U.S. volunteers' time spent abroad by multiplying the 2006 average hourly wage of a volunteer by the estimate of total U.S. volunteer hours abroad as calculated from the 2006 volunteer supplement data. Based on Bureau of Labor Statistics figures, the Independent Sector determined a volunteer's average hourly wage to be \$18.77 in 2006. Multiplying the 102,442,061 U.S. volunteer hours contributed overseas by the volunteer's average hourly wage of \$18.77 brings the dollar value of U.S. volunteer hours contributed overseas to \$1,992,837,485.

We calculated the value of the time volunteered in support of international development assistance causes while in the U.S. by using Stata software to calculate from CPS data the average yearly number of hours volunteered in support of international development assistance causes while based in the U.S. and multiplying this with the average hourly wage. Those who volunteered solely on U.S. soil for international development assistance causes numbered 89,000. This figure, multiplied by the 151 average hours volunteered by this group in 2006, yields a total of 13,439,000 hours. Multiplying 13,439,000 by the volunteer's average annual wage of \$18.77 brings the dollar value of U.S. volunteer hours contributed on U.S. soil for international development assistance causes to \$252,250,030.

By adding the economic value of U.S. volunteers' time dedicated to international causes at home to the economic value of those who volunteered abroad, we estimated the total value of U.S. volunteer time for international causes to be \$2,245,087,515 or \$2.25 billion.

## Universities and Colleges

The CGP once again partnered with the Institute for International Education (IIE) for this year's *Index*. Our figure of \$3.7 billion for private support from universities and colleges for students from developing countries was derived from data in IIE's annual international student census, *Open Doors*, which gathers data on international students in the U.S. and on U.S. students abroad. *Open Doors* data covers the 583,000 international students who studied in the U.S. in the 2006/07 academic year, and includes cost breakdowns of their tuition and fees, living expenses, and their sources of support.

*Open Doors* provides data on the number of all international students coming to the U.S. from all regions of the world, including Africa, Asia,

Middle East, Europe, Latin America, North America and Oceania. *The Index of Global Philanthropy* focuses on the developing world, defined to comprise the countries that receive Official Development Assistance from the OECD donor countries.

For the 2008 *Index* we refined the regional analysis to deduct from the total number of students from each predominantly developing world region the number of students who came to the U.S. from the few developed countries within the region. This allowed us to determine a total number of students from developed countries within developing world regions. For example, we deducted the number of students from Japan, South Korea, Taiwan, Singapore and Brunei from Asia because these are developed countries. In a similar vein, for Europe—a region that overwhelmingly comprises developed countries—we identified the few OECD aid recipient countries and added the number of students from these countries to the worldwide total.

We then determined that 60 percent of international students came to the U.S. from the developing world by calculating the proportion of students from developing world countries relative to the worldwide total. Of this group of students from the developing world, 61 percent came from Asia, 18 percent from Latin America, 10 percent from Africa, 5 percent from the Middle East, 5 percent from Europe and less than 1 percent from Oceania.

The analysis for *Open Doors* accounted for various cost categories of international students in the U.S. in order to produce a total for all expenses for all international students in the U.S. in 2006/07 of \$14,499,100,000. Among the sources of these funds were personal and family contributions, home governments, foreign private sponsors, international organizations, U.S. sources, and employment. According to *Open Doors*, the portion of this \$14.5 billion total that came from U.S. sources was \$6,279,700,000. Also, according to *Open Doors*, 0.6 percent of the \$14.5 billion total—\$86,994,600—was provided by the U.S. government. Subtracting \$86,994,600 in U.S. government support from \$6,279,700,000 yields \$6,192,705,400 in support from U.S. sources other than the U.S. government, including universities and colleges and various private sponsors. Multiplying this figure by the 60 percent that represents the portion of students from the developing world yields a total of \$3,715,623,240 or \$3.7 billion for students from the developing world.

For the 2008 *Index* we were better able to coordinate publication schedules to use IIE's most recent data, thus arriving at our figures for 2006 based on data from the 2006/07 academic year.

IIE's methodology for the survey includes a country classification system that organizes places of origin into regional groupings based on the U.S. Department of State's definition of world regions and states. The survey defines an international student as “an individual who is enrolled for courses at a higher education institution in the United States on a temporary visa.” The survey of 2,702 regionally accredited U.S. institutions was updated and refreshed using the Integrated Postsecondary Education Data System (IPEDS), produced by the U.S. Department of Education and the U.S. Department of Homeland Security's SEVIS (Student and Exchange Visitor Information System). The overall institutional response rate was 65.2 percent. Nearly 96 percent of responding institutions reported enrollment of international students.

## Religious Giving

The CGP is proud to break new ground in the 2008 *Index* with the results of a survey on giving for international relief and development by U.S. religious congregations in 2006. The survey was conducted by David Sikkink, associate professor of Sociology at the University of Notre Dame and a fellow in its Center for the Study of Religion and Society. Survey questions for CGP on congregational giving for international development assistance were added to the Notre Dame Congregational Survey, a broader inquiry into patterns of congregational life, funded by the Metanexus Institute and the John Templeton Foundation. The survey was administered for Notre Dame by the Center for

Marketing and Opinion Research in North Canton, Ohio.

The Notre Dame data comprise all U.S. religious denominations. By combining these results with data from the Billy Graham Center on giving by Protestant mission agencies (denominational boards, non-denominational societies and other organizations involved in overseas development assistance) and with data from the Church of Jesus Christ of Latter-Day Saints, the *Index* has produced a unique and comprehensive estimate of religious giving to the developing world.

The Notre Dame congregational survey is based on a random sample of congregations in the United States. Respondents then answered several questions about their overseas donations in 2006. Congregations were selected by a random sample of Americans. Thus, larger congregations—congregations with a greater number of members—had a higher probability of selection. The researchers therefore weighted the data to account for congregational size to create reliable estimates that comprise the total amount of giving. Information was collected on: 1) congregational giving to U.S.-based organizations that assist in overseas relief and development; 2) total direct giving to programs in foreign countries; 3) support for relief and development through short-term mission trips; and 4) support for relief and development through longer-term mission trips. In all cases, support for direct religious or evangelical activities was not included. For example, the giving numbers collected addressed only traditional assistance activities such as in health, education, and the environment. The results were extrapolated based on the estimate of approximately 331,000 congregations in the U.S., a number recognized by scholars in the field to be in the middle range of estimates.

The survey determined that 1) about 188,670 congregations gave a total of approximately \$2 billion to U.S.-based relief and development organizations; 2) about 119,160 congregations contributed a total of \$4.24 billion directly to programs in foreign countries; 3) about 86,963 congregations financially supported short-term mission trips to foreign countries by providing \$460 million in support; and 4) about 168,810 congregations reported support for longer-term mission trips for relief and development by providing \$1.07 billion in support.

The contributions of organizations in Notre Dame's first category—U.S.-based organizations that assist in overseas relief and development—are included in the Billy Graham Center's Mission Handbook and/or the Urban Institute's Center for Nonprofits and Philanthropy's (CNP) survey for the CGP on giving by PVOs (see the methodology for PVOs). Thus the *Index* needed to account for double-counting and potential triple-counting among the three data sets. A manual review determined that all sources comprising Notre Dame's first category were captured in the Billy Graham Center Mission Handbook and/or the CNP study and are thus not included in the *Index* figure for Notre Dame representing congregational giving. The total for the three remaining categories in the Notre Dame study—direct giving (\$4.24 billion), short-term trips (\$460 million) and longer-term trips (\$1.07 billion)—is \$5.77 billion.

The Billy Graham Center (BGC) at Wheaton College's most recent study of giving by approximately 700 U.S. mission agencies—Protestant religious organizations engaged in assistance—comprises giving data for 2005. The BGC reports a total of \$5.24 billion in contributions for mission agencies from grants, individual giving, bequests, and giving in-kind. It does not include funds given by U.S. churches and is thus not duplicative of Notre Dame data in categories 2 through 4 above. The BGC confirms that the funds went to traditional assistance activities. The figure includes contributions by a number of largely non-denominational nonprofit organizations also represented in the *Index*'s PVO number, determined by the CNP. To account for this overlap, the CNP matched their database with the BGC's 2006 Mission Handbook list of organizations (organizational list updated for 2006 with dollar figures from 2005) to determine that there was \$2.3 billion in overlap. Subtracting this amount from the BGC's total of \$5.24 billion provides a total of \$2.9 in unique giving by religious organizations included in the Billy Graham Center study.

Finally, the Church of Jesus Christ of Latter-day Saints (Mormons) most recent data on assistance (2005) reports \$0.07 billion—in funds not captured in the Notre Dame or CNP studies.

The rounded component figures are as follows: Notre Dame figure of \$5.8 billion, Billy Graham Center of \$2.9 billion and Mormon Church of \$0.1 billion result in a total of \$8.8 billion.

## International Private Giving

This year the *Index* featured new international private giving estimates for France, Norway, and the United Kingdom. Like our private giving estimate for the U.S., these estimates provide a more complete picture of private giving to the developing world than what these governments actually send into the OECD and are reported in the annual Development Cooperation Report on donor aid. For the United Kingdom, we worked again with the Charities Aid Foundation which compiled a much larger private giving number than what the U.K. sends into the OECD. In the case of France and Norway, these countries did not send in any private giving number to the OECD. Thus, this year's *Index* provides unique estimates for France and Norway, as there have been no estimates for these countries.

### France

To obtain our private giving estimate for France, the *Index* partnered with the Centre d'Étude et de Recherche sur la Philanthropie (CerPhi), a Paris based think-tank that conducts research on French philanthropy. CerPhi collected data and analyzed available private giving data from individuals, foundations, and corporations to the developing world. While CerPhi researched data for all three areas, information for 2006 was available only for individual private giving. Therefore, the 2008 *Index* reported just on this individual giving as the total for French private giving. The number in the *Index*, thus, underestimates the actual full private giving by France. For example, corporate giving of \$192 million in 2005 is significant and, if this had been included in the 2006 number, would have increased their total private giving by one and a half times. We look forward to obtaining updated numbers for these other categories in the future, so we can report a more comprehensive private giving number for France in next year's *Index*.

To arrive at individual donation estimates, CerPhi reported on two categories: 1) general international causes; and 2) international children's causes. The estimate for individual donations to general international causes was €216 million (\$266 million), and the estimate for individual donations to international children's causes was €100 million (\$123 million). Together, these totaled €316 million. Using a conversion factor from the U.S. Bureau of Economic Analysis for a euro-to-dollar exchange rate of 0.812, the total French private giving number was estimated at \$389 million.

### Norway

The private giving estimate for Norway is based on research performed by Center for Global Prosperity staff in consultation with Norwegian government officials and NGO representatives. We were able to estimate NGO private giving, but did not have a number for foundations, corporation or church giving, so our estimate is likely under-reported.

Under Norwegian law, 90 percent of funding to NGOs is sponsored by the Norwegian government, while the remaining 10 percent is required to be funded privately by the NGO. With this in mind, the *Index* obtained a list of NGOs that are involved in international causes from the Norwegian Agency for Development Cooperation (Norad). We then obtained the budgets of the 97 NGOs involved in international causes. Once a comprehensive list was compiled, we calculated 10 percent of the total of all NGO budgets in 2006. To make the figure even more



accurate, we contacted the largest 30 NGOs to inquire if private funds raised by these organizations were greater than our estimated 10 percent. We were able to obtain larger figures for 18 of the 30 NGOs that were contacted.

Our total for private grants to international NGOs in Norway was 1,316,686,666 kroner. Using the Bureau of Economic Analysis's Norwegian krone-to-dollar conversion rate of 0.192879 resulted in estimated private giving for Norway to the developing world of \$254 million.

## United Kingdom

To obtain our private giving estimate for the United Kingdom, the *Index* partnered with Charities Aid Foundation (CAF) for a second year. CAF annually publishes *Charity Trend*, a comprehensive guide to the U.K.'s philanthropic sector. This publication provides detailed information on the budgets of charitable organizations, such as foundations, corporations, trusts, and NGOs, as well as, an analysis of trends in U.K. philanthropy.

CAF provided us with two estimates for private giving in the U.K.: 1) private income to international charities; and 2) private expenditures by grant-making trusts. To avoid double-counting, we elected not to use the private expenditures by grant-making trusts, since portions of trust funding might be given directly to charities and would thus be counted in the international charities figure. Therefore, we used the private income to international charities figure of £888 million. This figure represents private income raised by 33 international charities. We used a conversion rate of 0.5501, published by the OECD, for converting British pounds to dollars. This provided us with an estimate of \$1.614 billion in U.K. private giving to the developing world as compared to the U.K. Government figure of \$543 million that is sent into the OECD.

## Remittances

While there is no standardized method for estimating remittances, many of the major international organizations and financial institutions have created their own systems for estimating these important financial flows. In many cases this has led to inconsistencies in estimates that focus on the same countries. For example, Banco de Mexico estimated that remittances from the U.S. to Mexico were \$23.1 billion in 2006, while the Dallas Federal Reserve estimated remittances from the U.S. to Mexico in the same year to be \$21.5 billion. The Luxembourg Group on Remittances is set to release a guide on remittances sometime in 2008 that discusses the various approaches and methodologies used to estimate remittances, which should take us closer to achieving improved consistency in measuring these important flows.

This year the *Index* has improved the methodology used to provide estimates for remittances sent from the OECD donor countries to the developing world. This year's data are simplified by using two sources, the World Bank's bilateral remittance matrix and the Inter-American Development Bank's survey data. The World Bank's bilateral remittance matrix provides a comprehensive source that is comparable across all countries. The Inter-American Development Bank's surveys are used exclusively for U.S. and Spanish remittances to Latin American and the Caribbean, because of the accuracy and thorough nature of their survey data. We did not use Bureau of Economic Analysis remittance data, because we wanted to better assure the compatibility of U.S. remittance estimates with other OECD countries. Both of the sources used in this year's *Index* are internationally recognized for their consistency in remittance estimates. (For a detailed account of sources and remittance estimates please see the table below.)

## Inter-American Development Bank

Estimates for remittances sent to Latin American countries (LAC) from the U.S. and Spain are based on survey data reported by the Inter-American

Development Bank's Multilateral Investment Fund (MIF). The MIF commissioned Bendixen and Associates, an independent polling and research firm, to conduct the surveys among immigrant populations living in the U.S. and Spain. Bendixen and Associates conducted surveys that obtained a national sample representative of the remitting immigrant population in the countries. Once survey data were collected, the polling firm was able to use the national sample to estimate the amount of remittances sent home by the larger immigrant populations of these countries.

For the U.S.-LAC remittance corridor, Bendixen and Associates interviewed 2,511 Latin American immigrants by phone in Spanish in 2006. Additional information was obtained through focus groups of Latin American trans-national families. The remittance senders that were interviewed or that participated in focus groups lived in New York City, Los Angeles, and Miami. The remittance recipients lived in Mexico, Colombia, El Salvador, Guatemala, Ecuador, the Dominican Republic, Jamaica, and Haiti. The remittance estimate for the U.S.-LAC remittance corridor totaled \$45.3 billion.

In the case of the Spain-LAC remittance corridor, Bendixen and Associates interviewed 1,100 Latin American immigrants living in Spain in 2006. The remittance senders were immigrants from Ecuador, Colombia, Peru, Argentina, the Dominican Republic, Bolivia, and Paraguay. The remittance estimate for the Spain-LAC remittance corridor totaled \$4.7 billion.

Although remittance estimates for the U.S.-LAC and Spain-LAC remittance corridors are widely available from other sources, the survey method used by Bendixen and Associates provides the most accurate estimate. Since survey data is collected through interviews, estimates are more likely to capture both formal and informal remittances; therefore providing a more accurate remittance estimate. Survey data also has the advantage of capturing the remittance-sending habits of the illegal immigrant population. However, it should be noted that hesitations on the side of these individuals to provide information can result in a reluctance to participate in surveys. Additionally, survey data can provide a more robust population sample for national estimates. As with the case in the Spain-LAC survey data, Bendixen and Associates was able to

## Remittances from the 22 OECD Donor Countries in Billions of \$

	IDB	World Bank	Total
United States	45.3	26.2	71.5
Canada		6.8	6.8
Germany		6.8	6.8
Spain	4.7	2.0	6.7
United Kingdom		6.6	6.6
France		6.0	6.0
Japan		3.7	3.7
Italy		3.5	3.5
Australia		3.2	3.2
Netherlands		1.3	1.3
Switzerland		1.2	1.2
Austria		1.0	1.0
Sweden		1.0	1.0
Greece		0.8	0.8
Denmark		0.5	0.5
Norway		0.4	0.4
Belgium		0.4	0.4
New Zealand		0.3	0.3
Portugal		0.3	0.3
Ireland		0.2	0.2
Finland		0.1	0.1
Luxembourg		0.1	0.1
<b>Total</b>	<b>50.0</b>	<b>72.3</b>	<b>122.4</b>



not only capture a sample of remittance senders in mainland Spain, but also those in Spain's island territories.

## World Bank

For all remittance estimates from the OECD donor countries to the DAC recipient countries, excluding the U.S-LAC and the Spain-LAC remittance corridors, the World Bank's bilateral remittance matrix was used. The *Index* uses this source since it is a comprehensive method for estimating remittances of migrant stock, and identifies key factors in remittance-sending such as per capita income of migrants. The bilateral remittance matrix also allowed us to determine remittance flows to only the DAC recipient countries.

The bilateral remittances matrix was created by World Bank senior economists Dilip Ratha and William Shaw as a complement to the World Bank's bilateral migration matrix. Unlike other methodologies that estimate remittances, the bilateral remittances matrix estimates bilateral remittance flows based on the total amount received by a country. The reason for estimating remittances from the receiving side is to accurately estimate remittances channeled through financial sectors that may be accredited to a country other than the actual source.

To solve this problem, the bilateral remittances matrix calculates remittances sent from all migrants living abroad to their home countries. The *Index of Global Philanthropy* uses the World Bank method, which is based on migrant stock, per capita income in the destination country, and per capita income in the source country. The estimate not only takes into account the stock of migrants residing in a country, but the fluctuation of income of both the migrants and their families in their home countries. This is important in determining remittances, since income variances on both sides of the transaction influence the amount of money sent home.

The World Bank's bilateral remittance matrix provides estimates from all countries that send remittances to each country that receives them. The matrix lists 212 countries as both receivers and senders. For our research we collected the remittances sent from just the 22 OECD donor countries to all DAC recipient countries. This calculation for each donor country involved going through 212 countries to identify which were DAC recipient developing countries and adding up these amount in order to arrive at a total for each donor country.

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The Foundation Center once again was our partner on foundation giving, providing data and working collaboratively with the Urban Institute's Center on Nonprofits and Philanthropy (CNP) to ensure the accuracy of the information on foundation giving. In addition, the Center helped us to understand trends in foundation giving for a better understanding of the field. We are grateful to Josie Atienza, assistant director of research, for her patience and care in providing essential data, for her constructive collaboration with the CNP to coordinate data, and for her guidance on the world of international foundations.

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*Index* data on religious giving for development assistance breaks new ground with the information gathered and analyzed by David Sikkink at Notre Dame. David designed and analyzed an addendum to the comprehensive Notre Dame Congregational Survey specifically for the *Index*, focused on congregational giving to the developing world. He navigated the inevitable methodological and analytical challenges that attended this new approach with unflinching patience and good cheer. He was thoughtful and generous with his time, both in working with the CGP and in coordinating with other partners. We are also grateful for the advice and assistance of Scott Moreau at the Billy Graham Center at Wheaton College. Thanks also to Eric Wunderlich of The Church of Jesus Christ of Latter-day Saints for additional information on Mormon giving.

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Global philanthropy is becoming a truly worldwide phenomenon. Over the last two decades, the United States and Europe have led a dramatic growth in philanthropy and remittances to developing countries. In the U.S., twenty-one donors gave \$100 million or more in 2006. London, now hailed as “Switzerland-on-Thames,” has seen a rise in younger entrepreneurs, hedge fund managers, and private investors donating to charities in record amounts or even creating their own foundations.

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