The Index of Global Philanthropy

CENTER FOR GLOBAL PROSPERITY

2007

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Director's Welcome

Dear Readers,

Private giving from developed nations to poor people abroad is bigger than ever. U.S. private assistance alone, at $95 billion, is three and a half times official government aid. The Center for Global Prosperity, working with exceptional new partners, has improved measurements of this generosity—previously ignored or vastly underreported.

Philanthropy is hotter than ever as celebrities like President Bill Clinton, Bono, Angelina Jolie, Oprah, Lance Armstrong, and Richard Branson bring star power to doing good, and as business superstars like Warren Buffett donate $40 billion.

Rising financial markets alongside disturbing images of the African AIDS pandemic and tsunami disaster moved hedge fund managers, corporations, and high net worth individuals to give even more. These private donors bring hands-on, hard-nosed business skills to philanthropy, as they look for return on investment, results, and accountability.

Americans give abroad as they do at home—privately. But private giving is on the rise among Europeans too. Two thirds of all European foundations were created after 1970, and new tax laws encourage private giving even more. Government agencies in Europe are beginning to work with private groups for better results. Even more encouraging is the rise of local foundations and home-grown charities in poor countries themselves.

This second annual *Index of Global Philanthropy* features heart-warming accounts of private giving and compassion from around the world, as well as our updated and new statistics on U.S. and European private giving. We have greatly benefitted from the expert research of the Foundation Center, the Committee Encouraging Corporate Philanthropy, the Urban Institute's Center for Nonprofits and Philanthropy, the International Institute of Education, and the Partnership for Quality Medical Donations. Researchers from religious congregations in the U.S., and remittances experts at the Inter-American Development Bank and the World Bank, have contributed valuable data as well.

The private sector is the surest way to alleviate poverty and create prosperity in the developing world. We hope that both private donors and governments can better turn good intentions into good results from the numbers, trends, and real-life success stories presented in this year's *Index*.

Carol Adelman

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

From the Editor

Dear Readers,

One year ago, the *Index of Global Philanthropy* made its debut with a splash.

Not only did we receive much positive feedback from individual readers, but leading newspapers at home and abroad—including the *Wall Street Journal*, the *Financial Times*, and the *Guardian*, to name just a few—gave the *Index* an enthusiastic reception.

The first—and only—publication to comprehensively detail the sources and magnitude of private giving to the developing world, last year's *Index* focused on American generosity. Money, time, and skills were given freely by foundations, corporations, voluntary organizations, academic institutions, religious congregations, and individuals.

The second issue of the *Index* presents updated and expanded private giving data from the U.S., and charts new territory by including philanthropy from Europe, Commonwealth countries, and Japan. We also feature some of the many real-life examples of lives improved by the generosity of people around the world. A "road map" to our methodologies is included at the end.

The numbers and stories presented in these pages are the result of careful and wide-ranging research and analysis by tenacious Hudson fellows Jeremiah Norris and Judith Siegel, "can-do" research associate Samantha Grayson, and a team of talented and dedicated interns, including Jodianna Ringel and Christian Schuster, who broke new ground with their research on remittances. Bob Borens, friend of the *Index*, was on hand with his trade-mark insights and advice.

The *Index of Global Philanthropy* would not exist without the vision and ceaseless labor of Carol Adelman. And none of us would be here without our mother ship, the Hudson Institute.

Why all the fuss about private giving? Why not leave the job of lifting the world's poor out of poverty to government agencies? Because a new world of philanthropy has emerged. Where aid givers and aid receivers work together to create lasting changes. Where the poor take charge of their lives. Where amazing things happen.

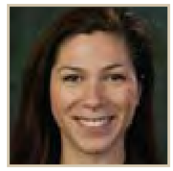
Read, and be inspired.

Karina Rollins
Editor

Index of Global Philanthropy Team


Jeremiah Norris


Judith Siegel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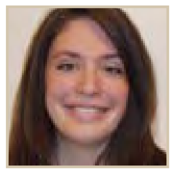
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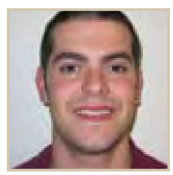
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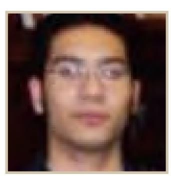
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CENTER FOR GLOBAL PROSPERITY

The Index

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

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

Americans continue to give far more to developing countries in private donations than they do in government aid, or even in private investments. This strong tradition manifests itself on a continual basis—from the Christ Presbyterian Church in Madison, Wisconsin, which sends money to an orphanage in Uganda, to universities around the country that provide billions of dollars in scholarships and stipends for students from the developing world, to a college music student who volunteers her time to teach the violin to children at a school in Kenya, to corporations and foundations that help to reforest degraded lands, and send money, medicines, and expertise to treat AIDS patients.

The striking trend in overseas philanthropy is that of "new age" donors using new technologies to cut down on the cost of delivering assistance—financial services firms, donor-advised funds, the "for-profit philanthropy" of Google.org, the philanthropic arm of Google.com, corporate "cause-related" marketing, and immigrants sending money back home through customized bank accounts, credit cards, and cell phones. The mobile phone as a purse may be the developing world's Industrial Revolution for creating prosperity.

The new age donors are hands-on. They want to participate directly in the design, operation, and measurement of their endeavors. They want to see results and create real and lasting partnerships with people and institutions overseas. As Dr. Susan Raymond, senior managing director of Changing Our World, a philanthropy consulting company, points out, "We are beginning to understand that old categories of commerce, capitalism, and philanthropy do not serve the new generation." In the corporate world, companies are making philanthropy their business. The growing number of donors for foreign assistance—with governments now in the minority—have reshaped the landscape of traditional foreign aid. In this sea of global giving float great opportunities for even the poorest of developing countries.

The 2007 *Index of Global Philanthropy* explores this new trend along with traditional public and private donors, looks at private investment overseas, and compares the efficiency of U.S. government foreign aid with that of private philanthropy. This second edition of the *Index* also includes pioneering data and trends in European private giving. While giving data are nowhere near as fully studied as those in the U.S., there is growing interest in measuring Europe's philanthropic flows more carefully. The 2007 *Index* presents comparative private giving, remittances data, and government aid for the 22 donor countries of the Organisation for Economic Co-operation and Development.

Introduction

The objectives of the *Index of Global Philanthropy* remain:

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

• To demonstrate that government aid as the sole measure of a country's generosity is outdated and incomplete, primarily because it excludes private giving;

• To illustrate how graduating from poverty to prosperity emanates primarily from private initiatives, not government foreign aid;

• To provide case studies and examples of private philanthropy and new approaches to working with poor people abroad to allow them to help themselves through local ownership and individual initiative, and create measurable results and lasting institutions.

The growing number of private donors has reshaped the landscape of traditional foreign aid.

Part I of the *Index* addresses the causes of prosperity, the amount and role of official aid versus private giving to developing countries (from the United States as well as other developed nations), and some of the controversies surrounding the measurement of government foreign aid, or what is called official development assistance (ODA).

ODA is tracked and measured by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), a Paris-based group of developed-country donors that establishes the guidelines for what should be counted as ODA by donor nations. This measure, sometimes called the "donor performance" measure, sets the standard for comparing the generosity of nations. It counts, however, only government aid, not other important financial flows to developing countries such as private philanthropy and individual remittances.

Critics of the OECD measurement maintain that many developed countries inflate their numbers with aid data that is not "pure," in order to claim that they had reached their pledge of donating 0.7 percent of gross national income (GNI) to the developing world each year.

Part I also includes two new sections reflecting the ground-breaking research by the Hudson Institute's Center for Global Prosperity. This research focuses on: 1) European giving to developing countries, including their government aid, private philanthropy, and remittances to developing countries; and 2) global remittances from immigrants to their home countries—their growth, their development impact, how they are used for maximum effect, and how they are measured.

The research in the 2007 *Index* also reflects refined methodologies in the collection of U.S. private giving numbers through our partnerships with prestigious public and private organizations. Working with USAID's Global Development Alliance (GDA), we are sharing our data and methodologies with the U.S. government, as well as learning from GDA's new and successful public-private partnerships.

For all of our categories of private giving, we are using data researched in collaboration with our new partners. These organizations include the Foundation Center, which has developed special methods for collecting and extrapolating foundation giving to developing countries. This method has also corrected for any double-counting of foundation grants to another giving category—private and voluntary organizations. Another partner, the Urban Institute's Center on Nonprofits and Philanthropy (CNP), is engaged in a new in-depth study of these private and voluntary organizations. The Urban Institute has collected and examined "990" tax-exemption forms filed with the IRS of thousands of private charities to provide a more comprehensive estimate of private giving from charities to the developing world.

A new partner for our universities and colleges category is the Institute of International Education (IIE), an authoritative source on private giving by U.S. educational institutions to students and teachers from the developing world. For corporations, we have joined with the Committee Encouraging Corporate Philanthropy (CECP), which collects data from its more than 150 company members. For religious giving, we have continued to collect data from congregations and religious research groups. Finally, for our remittances data, we worked with experts at the Inter-American Development Bank (IDB) and the World Bank to incorporate their latest surveys and, in particular, entirely new models for estimating remittances to countries for which Balance of Payments (BoP) data and surveys are not available.

The bottom line is that prosperity is not imposed or delivered by government aid programs.

In Part II of the *Index*, we highlight successful private philanthropic projects from around the world. These are remarkable stories of generosity, creativity, and persistence as well as examples of partnerships that have created and strengthened local institutions and improved the lives of poor people.

In Part III, we present all of our existing and new methodologies in great detail so that those interested can follow the complex process of measuring private giving, as well as get a glimpse of the time and rigor we have applied to obtain the best possible information on giving numbers and trends.

The Causes of Prosperity

Despite the general agreement on what creates prosperity, weak evidence of the impact of foreign aid on economic growth, and scant evidence of impact at the project level, there are still many calls for increasing government foreign aid. Virtually all studies and examples of countries that have moved out of poverty, however, underscore that prosperity does not depend on foreign aid.

In 1996, Jeffrey Sachs, professor at Columbia University, and Steve Radelet of the Center for Global Development, both proponents of increasing government aid to developing countries, constructed a growth model to illustrate the causes of rapid economic growth in East and Southeast Asia.[1] What they found was the archetypal conditions for prosperity: The most successful Asian countries had created open economies, removed restrictive trade barriers and import taxes, encouraged personal savings, and improved the quality of state institutions for constructive interactions between the government and the market.

The research on China by Nobel-prize winning economist Michael Spence highlights the importance of policies that encourage resource mobility, savings, and investment for competitiveness in the world market.[2] He concludes that, "there are no examples of sustained high growth in the postwar period that do not involve integration into the global economy."

Furthermore, laws that encourage and protect private property, as well as the nature and quality of public leadership, are also fundamental to creating long-term growth. We need only look at Estonia, a country that received minimal foreign aid after the fall of the Berlin Wall. This "Baltic tiger" reduced taxes, eliminated tariffs, and welcomed investors, allowing businesses to grow.[3] Jobs have increased, wages have soared, and Estonia is now first on the 2006 *State of the World Liberty Index,* which ranks countries by their political and economic freedom. Between 1985 and 1994, under Soviet occupation, Estonia's GNI *declined.* Between 1995 and 2004, Estonia's economy grew by 6 percent.[4] In 2005, growth reached nearly 10 percent.

The bottom line is that prosperity is not imposed or delivered by government foreign aid programs. In his landmark book *The Wealth and Poverty of Nations*, David Landes writes: "History tells us that most cures for poverty come from within. Foreign aid can help, but like windfall wealth, can also hurt. It can discourage effort and plant a crippling sense of incapacity…at bottom, no empowerment is so effective as self-empowerment."

Who's More Efficient?

One of the best ways to compare public and private aid efficiency is to look at the cost of technical experts used to deliver knowledge and skills to people in developing countries. We collected information from three private firms that do consulting work for the U.S. government to determine average costs of placing an expert in the field for a year. We then obtained data from the privately funded Pediatric AIDS Corps on its personnel costs, and also examined OECD estimates of the cost of technical experts working in different regions of the world.

Hired by the U.S. government, a moderately priced full-time consultant working in a developing country entails several layers of expenses. At a base salary of $100,000 a year, additional costs include overhead, shipment of personal household effects and car to the country, temporary housing and relocation expenses, permanent housing and utilities, educational allowances for children, general and administrative costs, yearly family travel, hardship allowances, and health and accident insurance.

When these costs are added to the base salary, the contractor charges the U.S. government an estimated $300,000 per year.[9]

The Pediatric AIDS Corps, which conducts AIDS prevention and treatment programs in pediatric centers in ten African countries, has a very different cost structure. Funded jointly by a corporate foundation and a non-profit academic teaching hospital, the AIDS Corps has sent 52 specially trained pediatricians to Africa to train local physicians in the treatment of children with AIDS. There are now more than 10,000 children under their care at four Clinical Centers of Excellence in Africa.

The level of their qualifications, experience, and responsibility would qualify them for the $100,000 base salary of a consultant with a for-profit consulting company. Yet, the total annual cost of a pediatrician in this program is $106,200 per year—*one third the total cost of a government-paid consultant*. The non-profit medical center undertakes the project as a philanthropic partnership with African doctors and hospitals. Hence, the doctors accept much lower pay, and donate a good deal of their time. The non-profit organization also operates on a more modest cost structure, with fewer fringe benefits than a typical U.S. government project.[10]

A 2005 OECD report detailed the cost of technical experts hired by the government of the U.K. to work in three developing countries. In Tanzania, the average cost of a consultant was $187,700 per year; in Jamaica, $200,300; and in Bangladesh, $173,760. These costs do not include overhead and benefits, so the final costs are even higher, and probably closer to the U.S. government cost of $300,000 for a contractor.[11] ActionAid, an international charity that conducted a study on consultant wages, calculated that the cost of 740 international advisors in Cambodia exceeded the combined wages of Cambodia's 166,000 civil servants.[12]

The widespread dissatisfaction with technical assistance by high-priced consultants is summed up best by former World Bank vice president for Africa Edward Jaycox, who views such consultants as a "systematic destructive force."[13]

BOX A

Evaluating Foreign Aid

There is widespread agreement among development experts that aid projects have not been adequately evaluated for tangible progress. Where they have, the results have been weak. The World Bank found that poverty was either not reduced, or even increased, in 14 of 25 surveyed countries that have received loans from the Bank since 1990.[5] In 2007, the Canadian Parliament found that poorly designed projects, lack of local leadership, and ineffective aid institutions, including the Canadian International Development Agency (CIDA), failed to improve the lives of Africans. After receiving more than $12 billion in government aid since 1968, Africa's economic growth rates had *declined*.[6]

The Center for Global Development (CGD) reported that just 15 percent of UNICEF projects have had impact evaluations. Of the CGD's 127 studies on health-financing programs, only two of them were even designed to measure impact.[7] The Netherlands has evaluated its government-aid projects for more than 25 years. In 2006, the Dutch Policy and Operations Evaluation Department concluded: "In many countries, heavy dependency on aid hampered the development of ownership…"[8]

With some exceptions, private foundations, corporations, charities, and religious organizations have not conducted results-oriented evaluations either. While there is increasingly more attention devoted to determining meaningful and lasting results, there is not enough information to make generalizations. We can, however, compare the efficiency of public and private aid projects by comparing their costs of delivering services. (See Box A on the previous page for a comparative analysis of such costs.)

The 2007 *Index of Global Philanthropy* presents higher-than-ever U.S. private giving numbers to the developing world. This *Index* points to new studies demonstrating the weak results of government foreign-aid projects, as well as the higher costs of government-delivered aid. Our current research underscores the importance of policies that support free markets, the rule of law, and good governance—the conditions that create lasting economic growth and prosperity. Private giving can create effective programs, reach people directly, and help poor people help themselves—for good.

U.S. Government Aid to Developing Countries

Each year, the Organisation for Economic Co-operation and Development (OECD) publishes a report that compares the government assistance of 22 donor countries. The comparison is based on the amount of aid as a percentage of gross national income (GNI). While the U.N. Millennium Project has set a goal for all donors to reach 0.7 percent of GNI by 2015, to date only five countries have achieved this standard: Norway, Sweden, Luxembourg, the Netherlands, and Denmark. (For details on the controversy surrounding the 0.7 percent standard and how donor countries are attempting to meet it, see Box B on the following page.)

Since 1960, foreign aid from Western governments has totaled more than $2.3 trillion, including development aid, security assistance, and disaster relief.[18] In 2005, foreign aid was the largest it has ever been, at $106.8 billion,[19] up from $79.5 billion in 2004. This 134 percent increase came primarily in the form of debt relief for developing countries, disaster relief for the tsunami of December 2004, and development aid for Iraq and Afghanistan. Debt relief for Nigeria in 2005 accounted for $5.5 billion of its $6 billion in aid from all donor countries.

Chart 1 on page 12 shows that the U.S. has increased its share of foreign aid to 0.22 percent of GNI, the highest since 1986, and up from 0.17 percent in 2004. Yet the U.S. still ranks third from the bottom among the 22 donor countries by this measurement. This often surprises Americans, who think of America as a generous country. They are right: In absolute amounts, as seen in Chart 2 on page 13, the United States is by far the largest donor, at nearly $28 billion. That is 40 percent more in real terms than the $19.7 billion in 2004—at which time the U.S. was the largest donor as well.

U.S. Total Economic Engagement with Developing Countries

The problem with judging America's generosity by measuring government aid alone is that this number 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. As Table 1 on page 14 shows, U.S. private giving was more than $95 billion in 2005—three and a half times the amount of government aid. Moreover, incomplete number

Real Aid…or Phantom Aid?

Some European NGOs are outspoken on what they call "phantom aid"—types of foreign aid not benefitting poor countries directly, but inflating countries' government aid.

The phantom aid critique is further developed by ActionAid, an international NGO that charges that half of all Official Development Assistance (ODA) is not "real" since it: does not go to the poorest countries; double-counts debt relief as aid; or is spent in the donor countries themselves, often on overpriced consultants. While most activists support more aid, ActionAid warns that, "In its current form, the aid system is ill-equipped to translate these new commitments into lasting improvements in the lives of people in poverty…. the costs of an inefficient and out-dated aid system are enormous."[14] Not everyone agrees with ActionAid's definition of phantom aid, but some of the categories warrant a closer look:

Debt Cancellation. Donor countries agree that relieving a poor country of its debt is vital to reducing poverty. Practically all recently forgiven debt, including decades of built-up interest, however, is now counted as ODA by donor countries. Nigeria and Iraq alone have had a total of some $50 billion in debt cancellations—loans that have resulted largely from irresponsible export credit lending by European countries since the 1980s.[15] Most of the credits were insured by export credit guaranty agencies—which reimbursed the lenders years ago. But since the debt was not formally cancelled until recently, that unpaid interest had accumulated, often to more than double the principal.

So donor countries count the loans and inflated interest as part of their ODA, even though there is no real cash transfer to developing countries. In 2005, debt cancellation accounted for more than 20 percent of ODA from Austria, Germany, Italy, the U.K., France, Japan, and Spain. Nearly 70 percent of Portugal's ODA in 2004 came from writing off bad loans to poor countries.

Refugee Spending in Donor Countries. Donors agreed that the costs of refugees in their countries could be counted as ODA for the first 12 months of the refugees' stay. The definition then expanded to asylum seekers and anyone who arrived without permission from their home countries. In 2005, even the U.S. counted $520 million for helping refugees in the U.S. toward its ODA tally. France counted $585 million, the highest amount of any country. The U.K. and Luxembourg, while just as anxious as other donors to increase their ODA or "donor performance measure," still refuse to report the item on principle.

Imputed Student Costs.[16] Most European countries' universities are state-funded and free, or subject only to token charges. The OECD allows countries to count these subsidies to students from developing nations as ODA. These student costs, which are not a direct resource transfer to developing countries, add up to a full $2 billion of phantom aid, of which France and Germany account for 92 percent.

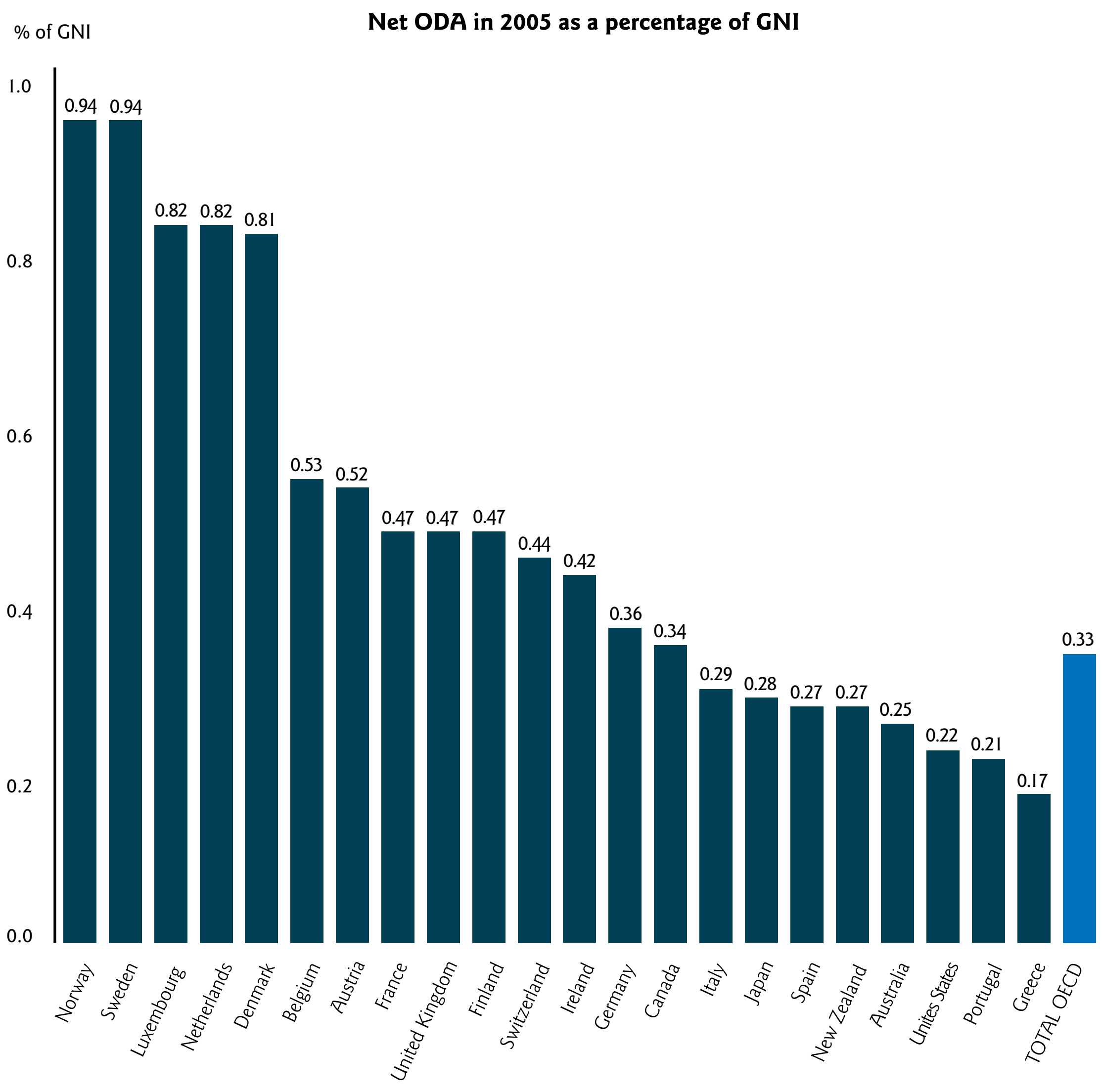
How does phantom aid affect donor countries' standing in the race to the 0.7 percent solution for reducing global poverty? Using a conservative adjustment of ODA—taking out just five phantom aid categories from 2005—debt cancellation, imputed student costs, refugee costs in donor countries, aid propaganda, and interest received on aid loans—results in six OECD members' ODA falling significantly: Austria: from 0.52 to 0.18 percent of GNI, Belgium: from 0.53 to 0.38 percent, the U.K.: 0.47 to 0.32 percent, France: 0.47 to 0.25 percent, Germany: 0.36 to 0.2 percent, Italy: 0.29 to 0.19 percent.[17] These data should send a clear message to phantom aid givers: Get real.

BOX B

published by the OECD does not reflect the fact that of all donor nations, the U.S. invests the most in developing countries, provides the most military support when global disasters strike, produces the bulk of the world's research for better food and medicines, and provides important preferential trade agreements that allow the U.S. to import the most goods from developing countries—which benefits the citizens of these countries as well as Americans.

A more useful way of measuring a country's impact on the developing world is to look at its total economic engagement with the developing world. Table 1 on page 14

CHART 1

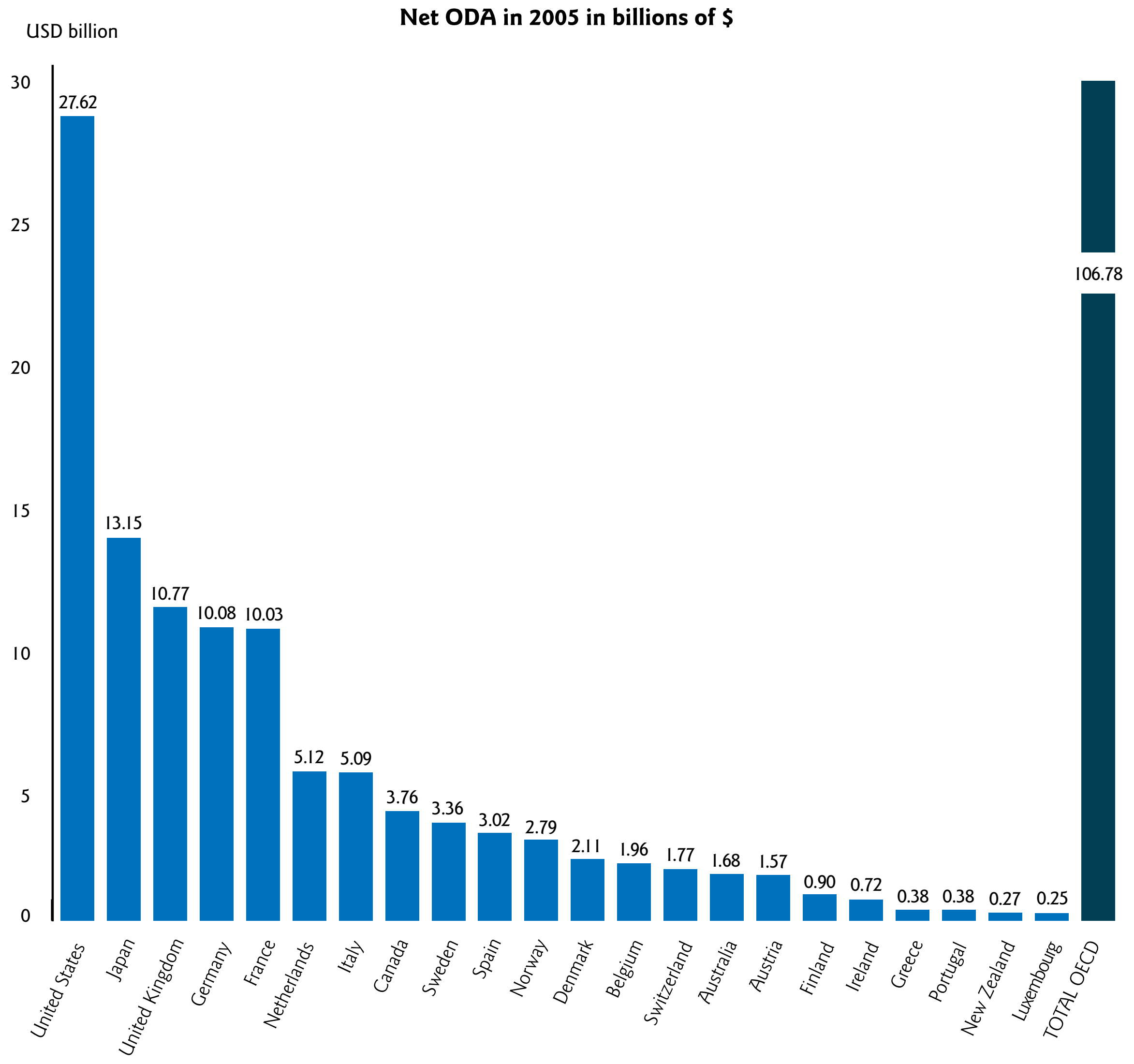


Source: Organisation for Economic Development and Co-operation (OECD), Development Co-operation Report 2006, Vol. 8 No. 1, 2007.

(using the latest available data for U.S. government foreign aid and private capital flows in 2005, along with Hudson's updated private giving data) provides a more complete picture of American generosity and economic impact in less developed countries.

Table 1 shows that at $27.6 billion, U.S. government aid is only 14 percent of total U.S. economic engagement with the developing world. The $27.6 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.

Under the second Bush administration, U.S. official development assistance (ODA) has expanded more than that of any other administration since John F. Kennedy's.[20] The $15 billion commitment for AIDS, tuberculosis, and malaria programs in 2003 marked the beginning of the growth in foreign aid, followed by the creation of the Millennium Challenge Corporation (MCC) in 2004. Since then, the U.S. Congress has appropriated



Source: Organisation for Economic Development and Co-operation (OECD), Development Co-operation Report 2006, Vol. 8 No. 1, 2007.

$5.5 billion for the MCC's assistance programs.[21] President Bush has also tripled direct humanitarian and development aid to Africa since taking office, and pledged to double that amount by 2010, to almost $9 billion.[22] Funds administered through USAID have decreased to 38 percent of all ODA. Defense Department programs have increased to 22 percent of U.S. ODA, due primarily to the large role the U.S. military played in the tsunami disaster relief, and the relief and development programs in Afghanistan and Iraq.

U.S. private assistance (in the second line of Table 1) is very large at $95.2 billion, or 50 percent of total U.S. economic engagement with the developing world. These numbers, and the methodologies for collecting them, are discussed in more detail starting on page 71, but it is useful to compare U.S. private giving to other countries' official aid. American private and voluntary organizations alone gave more than the governments of Japan, the U.K., Germany, and France each did in 2005. Money sent home by immigrants living in the U.S. totaled $61.7 billion, comprising 58 percent of all donor aid to developing countries, which was $106.8 billion (see Chart 2). U.S.

universities and colleges, both private and public, provided more assistance to students from developing countries in 2005 than did Canada, Sweden, Norway, or Denmark.

TABLE 1

Total U.S. Economic Engagement with Developing Countries, 2005

	billions of $	%
U.S. Official Development Assistance	**$ 27.6**	**14**
U.S. Private Assistance	**$ 95.2**	**50**
Foundations	$ 2.2	2
Corporations	$ 5.1	5
Private and Voluntary Organizations	$ 16.2	17
Universities and Colleges	$ 4.6	5
Religious Organizations	$ 5.4	6
Individual Remittances	$ 61.7	65
U.S. Private Capital Flows	**$ 69.2**	**36**
U.S. Total Economic Engagement	**$192.0**	**100**

Sources: Organisation for Economic Development and Co-operation (OECD), Development Co-operation Report 2006, Vol. 8 No. 1, 2007. Hudson 2007.

Remittances from all donor countries combined came to $113 billion for developing countries in 2005, exceeding all countries' combined ODA of $106.8 billion, and representing 62 percent of the $182 billion in all countries' private capital flows. The OECD does not include remittances when reporting financial flows to developing countries, a serious omission, in light of their magnitude and their impact on poverty reduction.

The $69 billion in private capital flows from the U.S. to developing nations was the largest amount of all donor countries, accounting for more than one third of all private investment. The U.S. was followed by the U.K. at $35 billion, the Netherlands at $17 billion, and Japan at $12 billion. These flows represent investment and lending at market terms financed by the private sector, and include private foreign direct investment, export credits, securities, bank credits, and multilateral securities in developing countries. It is this investment capital and lending that creates jobs, raises productivity, transfers skills and technology, and boosts export industries in developing countries—all of which are the elements that create lasting growth and prosperity.

Over the last 15 years, private financial flows—philanthropy as well as investment—to poor countries have exceeded official government flows. This phenomenon underscores the vibrancy and dominance of the private sector in the developing world. As Chart 4 on the opposite page shows, this shift began in 1992, and private flows have remained higher than official government flows ever since. These are the flows that are driving the economies of the developing world today, not government aid.

Because of the increasing importance of remittances in poverty reduction and the well-being of people in developing countries, we have included this financial flow as well. Chart 4 shows that remittances exceed official flows and are characterized by their constancy, compared to more volatility in private capital flows.

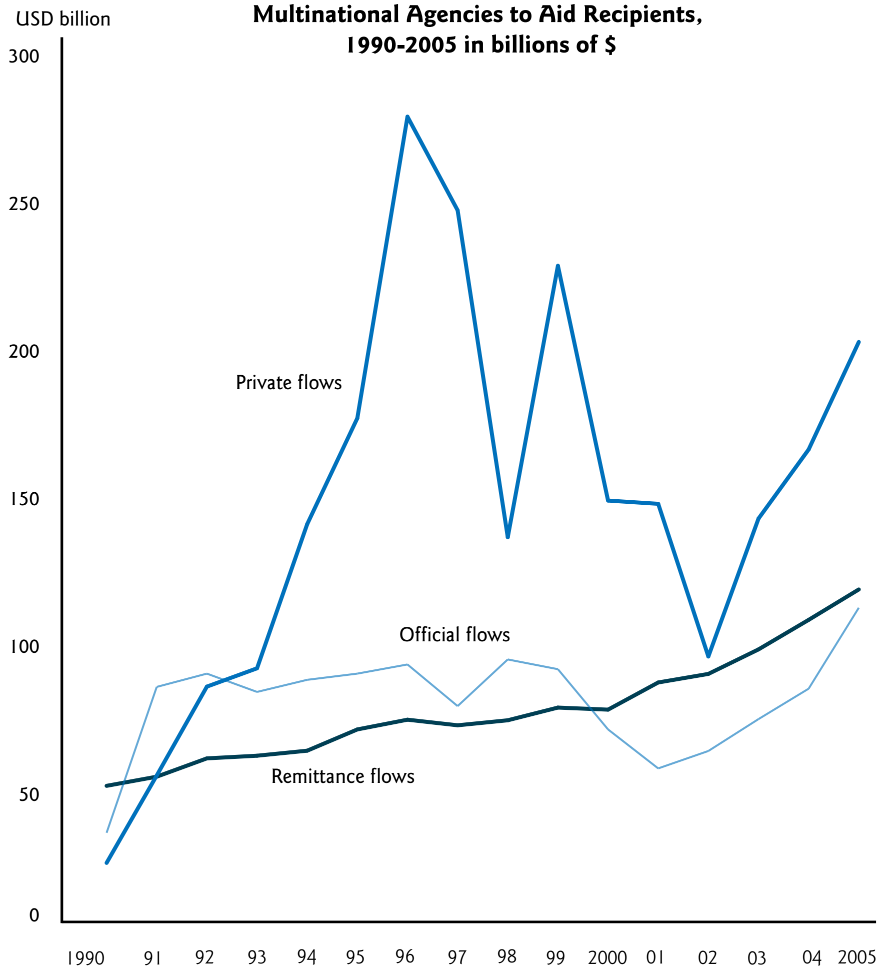
All Donors' Assistance to Developing Countries

Charts 5 and 6 (pages 16 & 17) compare donors by more complete and updated measures of their generosity and assistance to developing countries. They show new Center for Global Prosperity research that combines donors' ODA, estimates of their private giving, and estimates of individual remittances sent to developing countries. The private-giving estimates used here are those reported to the OECD by country governments, with the exception of the U.S. and the U.K. While we know that the U.S. government vastly underestimates U.S. numbers for private giving due to limited and outdated survey methodologies (please see the *Index* 2006, page 79, for the U.S. government explanation of these data limitations), we are less informed about how European private giving compares to what countries in Europe report to the OECD. We do know that, for the most part, corporate giving is excluded from the OECD private giving estimates, and religious giving is most likely underestimated. Moreover, many of the European numbers are based on voluntary surveys and are sometimes not updated to the latest year. Through research conducted by the Charities Aid Foundation and the National Council for Voluntary Organisations however, we have obtained more complete private giving numbers for the U.K. that are significantly higher than what the British government reports to the OECD. Thus, both the U.S. and the U.K. private giving numbers in Charts 5 and 6 are higher and more accurate reflections of their private generosity.

While better measurement of private giving has started in Europe, it is still in the early stages. Our goal is to develop more partnerships in Europe for improved data collection in the future. We hope and expect that future editions of the *Index* will have more complete numbers for Europe and the other OECD donor countries.

With regard to remittances, however, data collection for both the U.S. and other donors has been done using similar sources and methodologies, and we do not see any

Total Private, Official, and Remittance Flows from OECD Member Countries and Multinational Agencies to Aid Recipients, 1990-2005 in billions of $



Sources: OECD, Development Co-operation Reports 1990-2007; World Bank, *Global Economic Prospects–Economic Implications of Remittances and Migration,* 2006; Country surveys and BoP reports, 2002-2005.

CHART 4

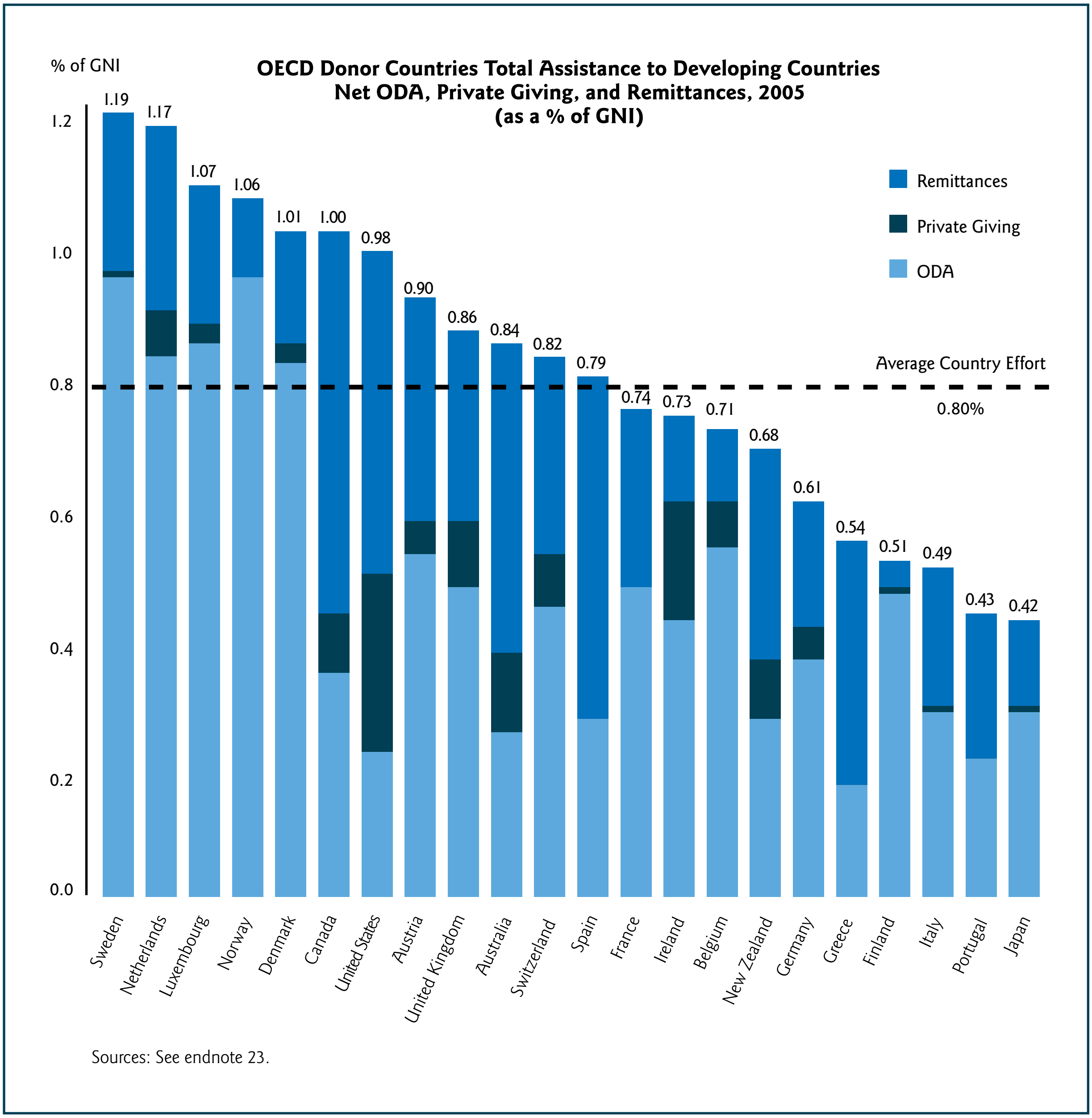
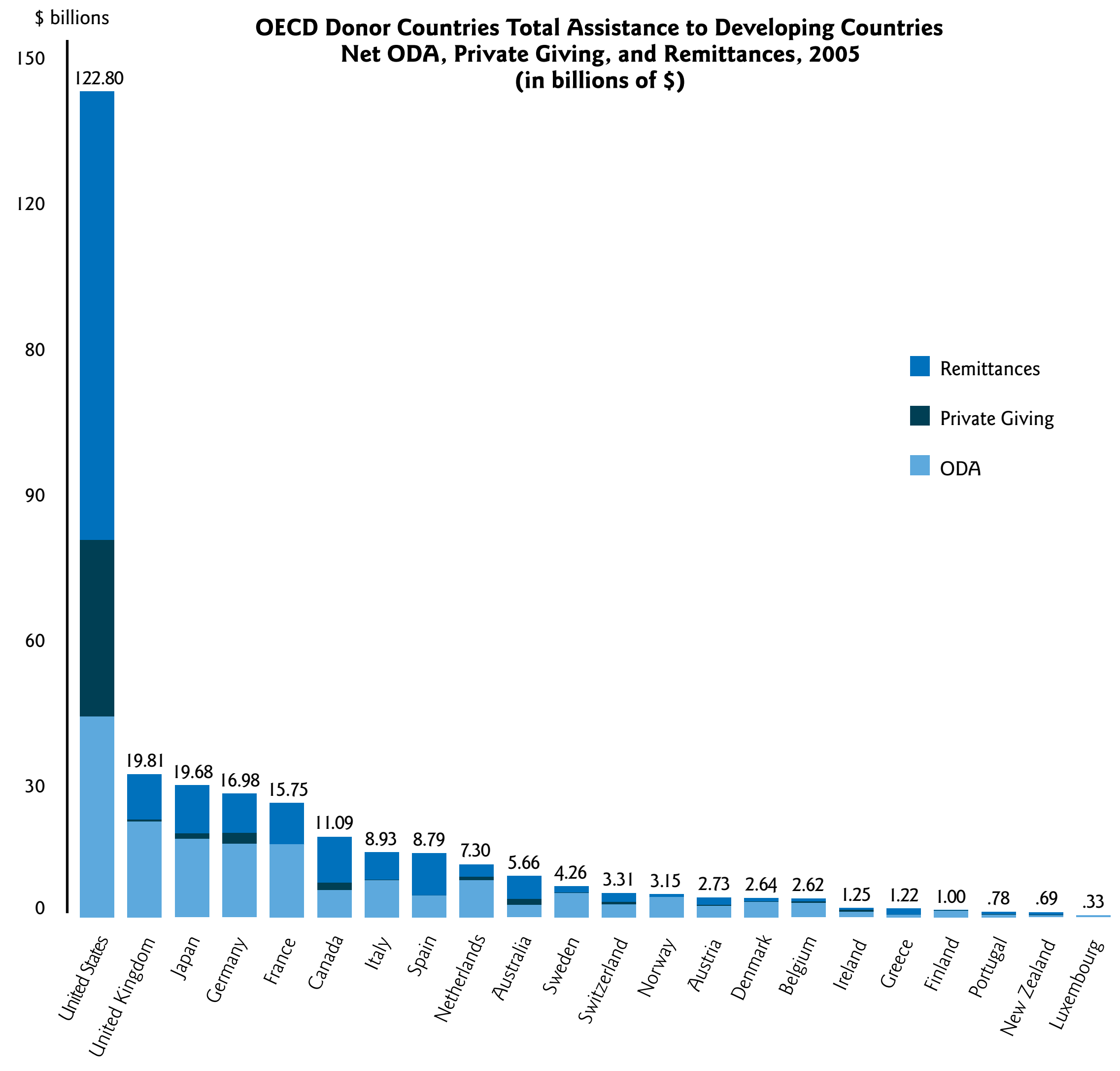


CHART 5

inherent bias against the European numbers compared to U.S. numbers. Where BoP and survey data were not available, we used World Bank methodologies to estimate all countries' remittances. Nevertheless, it is important to keep in mind that remittances data are still considered estimates, since they rely on various surveys with some differences in methodologies. Chart 5 shows all donors' ODA, private giving, and individual remittances to developing countries. It compares donor countries' total assistance as a percent of their GNI for 2005. How these numbers were obtained, and other information and trends, are discussed later in the *Index*. We highlight this chart here to demonstrate the greatly increased level of resources that go to developing countries when financial flows other than ODA are recorded.

As Chart 5 shows, two thirds of the countries meet or exceed the Millennium Development Goal of contributing 0.7 percent of GNI to developing countries. Also, the United States ranks seventh from the top, not third from last, when using this



Sources: See endnote 24.

CHART 6

fuller measure of generosity. Five of the same six countries that ranked highest with just government aid remain at the top when this measure is used. Only Belgium falls from rank 6 to 15 under this new scale.

Chart 6 shows all donor assistance using ODA, private giving, and remittances in absolute amounts instead of as a percentage of GNI. The U.S. still provides the largest amount in total assistance, at $123 billion, followed by the U.K., Japan, Germany, and France. The total amount of resources transferred to developing countries in 2005 was $261 billion.

Thus, we can see how all these private giving flows to developing countries far exceed official development assistance. The global development community must acknowledge these resource transfers, and the OECD, in particular, should capture them better, including remittances, in its statistical reporting for developing countries. These financial flows must be better measured and studied so we can understand their impact and draw upon the lessons learned from new private resources for developing countries.

U.S. International Giving: The Numbers

Foundations: $2.2 billion

International giving by U.S. foundations in 2005 totaled 2.2 billion. According to research conducted for the Center for Global Prosperity by the Foundation Center, nearly 55 percent of international grants to developing countries went to health programs, 16.5 percent were for development projects and relief efforts, and 8 percent for environmental protection. Foundation giving also reflected a quick and focused response to natural disasters such as the southeast Asian tsunami and the earthquake in Pakistan.

In 2005, the Bill & Melinda Gates Foundation, the world's largest philanthropic institution, increased its giving for global health, especially with more than $436 million in grants through its Grand Challenges in Global Health, a public-private partnership that supports research projects involving scientists in 33 countries to create "deliverable technologies" for the developing world: health technology that is easy to transport, easy to use, and effective. The focus of the Gates Foundation was a factor in raising the share of international health-related grants from less than one third of international giving in 2002 to nearly one half in 2004.

Grand Challenges illustrates another trend in global giving—partnerships between the private and public sectors that bring together the unique talents and skills of each sector and apply them to international needs. Grand Challenges is a partnership between the Gates Foundation and the U.S. National Institutes of Health. In addition to the 2005 grants from Grand Challenges, $27 million was provided by the British Wellcome Trust, and $4.5 million by the Canadian Institutes of Health Research.

The donation that garnered the most media attention was Warren Buffett's announcement in 2006 that he would give away 85 percent of his more than $40 billion fortune in Berkshire Hathaway stock to five foundations. Five sixths of the shares will go to the Bill & Melinda Gates Foundation.

The Foundation Center has reported a 3 percent decline in cross-border giving between 2002 and 2004, during which time grants to U.S.-based charities increased by 49 percent (partly as a result of several very large grants). The Foundation Center reported that the share of U.S. dollars that went directly to overseas recipients declined as a result of more stringent post-9/11 "due diligence" requirements, reflecting concerns about funding terrorist organizations.

The 2005 foundation number is lower than the 2004 number (published in the 2006 *Index)* for a variety of reasons. For 2005, through our new collaboration with the Foundation Center, researchers were able to develop a new methodology for calculating foundation expenditures exclusively for developing countries. We are pleased this year to have a more accurate number calculated by the Foundation Center, which corrects for a possible overestimate in last year's *Index*, when we were not able to benefit from the Foundation Center's analysis of its survey data.

Corporations: $5.1 billion

In the absence of a comprehensive survey of U.S. corporate giving for international causes, we worked with a number of sources to gather reliable measures of U.S. corporate giving to the developing world. We collaborated with the Committee Encouraging Corporate Philanthropy (CECP), an international forum of more than 150 business CEOs and chairmen, to derive the best possible number for corporate cash and in-kind donations by CECP members, including their corporate foundations. We also used data from the Partnership for Quality Medical Donations, and from our own research, arriving at $5,146,748,609 for our corporate giving number for 2005.

Overall trends in corporate philanthropy in 2005 mirrored a number of broader trends in the sector, including an increasing focus on measuring outcomes and the growing importance of Asia and India.[1] A Conference Board survey of 77 multinational corporations also noted the link between the size of a company's workforce and local markets as a key variable in determining the recipients of aid, as well as humanitarian needs and opportunities for business growth.[2]

A number of sources indicate that overall corporate giving grew in 2005. According to 82 respondents to a *Chronicle of Philanthropy* survey of 150 of the largest U.S. companies, there was a 10 percent increase in cash giving worldwide. For the 82 corporations surveyed, domestic and international giving increased to $3.7 billion in 2005, from $3.2 billion in 2004. Ninety-two respondents to a CECP survey of 128 corporations, 44 of which had revenue levels in the Fortune 100, and 87 in the Fortune 1,000, found a 14 percent increase from 2004. The *Chronicle* survey indicated that continuing donations for the 2004 tsunami, the 2005 Pakistan earthquake, and Hurricane Katrina were key factors in the increase.

American corporations donated $566 million in cash and goods for tsunami relief.[3] When an earthquake registering 7.6 on the Richter scale hit Pakistan and killed 80,000 people, sixty companies from the U.S.-Pakistan Business Council donated $100 million.[4]

The robust U.S. economy has made more money available for giving. Some companies try to be consistent in their philanthropy, giving a set amount each year. But more and more businesses are preparing for future emergencies by setting aside money so that emergency relief funds will be available immediately. Indeed, some companies have hired staff specifically for their natural disaster and catastrophe funds.

The Call to Alms

"We live in a world that is increasingly networked, interlinked, and interdependent, where all divides of boundary and belonging are getting blurred. From education to medical research [to] the globalization of jobs, we are seeing the way cooperation across barriers of distance and culture is bringing about advances inconceivable not long ago.

"There's no logical reason why the private [and] the social sector should operate on separate levels… If we can unleash a new entrepreneurial, collaborative kind of philanthropy, we can create new patterns that will help reshape the entire system—combining the innovation of the business world, the passion and humanity of the non-profit world, and the inclusive, networked culture of the digital world, to generate transformative change.… More than ever, business is ready to answer the call to alms."

—Steve Case, co-founder, AOL & chairman, The Case Foundation, addressing a Family Foundations conference in Honolulu, Hawaii, on January 30, 2006.

While significant in scope, corporate philanthropy increasingly involves more than cash donations. There is a trend of volunteerism among employees and a focus on in-kind contributions. Gifts in Kind International, the third-largest charity in the U.S., with 445 affiliates in 26 countries, helps corporations achieve their philanthropic goals by serving as a broker to match corporate gifts with appropriate non-profit organizations.

PVOs: $13.4 billion

Private and voluntary organizations (PVOs) gave $13.4 billion to the developing world in 2005. To arrive at this number, the Center for Global Prosperity collaborated with the Urban Institute's Center on Nonprofits and Philanthropy (CNP), which has conducted ground-breaking work in measuring this enormous amount of international private giving. This number is significantly higher than our 2004 number of $5.7 billion, since our only available source for PVOs last year was a USAID registry of 503 PVOs. The CNP sample of more than 4,000 PVOs resulted in a more accurate and significantly larger number for 2005.

PVOs can be agile, innovative, and responsive to local needs and interests.

The CNP gathered and analyzed data from "990" forms that PVOs file with the IRS, which provide information on the private funding they receive and distribute to developing countries. For our Methodolgy see pages 74 and 75.

As non-governmental organizations that mobilize public and private resources to carry out international assistance projects, PVOs deploy staffs on the ground in response to a wide variety of local needs. PVO staffers and volunteers work directly on their own projects or provide resources to smaller, local PVOs. More than 80 percent of PVOs that engage in overseas relief and development work have less than $500,000 per year in annual revenue; fewer than a hundred have above $10 million.[5] PVOs often employ local staff, sometimes in partnership with outside experts. Thus, their efforts can be agile, innovative, and responsive to local needs and interests.

Large PVOs—like CARE (Cooperative for Assistance and Relief Everywhere), Catholic Relief Services, Family Health International, Save the Children, and World Vision International—work on improving health care and education to offering job training to providing direct humanitarian aid. Such PVOs receive government funding along with private donations. From 1996 to 2005, the above PVOs were all part of USAID's top ten vendors, receiving more than $500 million in 2003 alone.[6]

Relying primarily on private donations, smaller PVOs provide creative approaches to highly specific local needs. U.S. Peace Corps alumni have formed groups to assist the communities where they served, as described on page 54 ("Creating Ripples of Hope"). We have highlighted a number of these smaller PVOs in this year's *Index*, based in the U.S. and in Europe, because they are often overlooked in foreign assistance circles. These small PVOs with highly dedicated staff are making a difference in the physical infrastructures of poor communities abroad as well as in the lives of people.

Interaction, a consortium of 160 PVOs, notes the robust response of PVOs to natural disasters like the 2005 earthquake in Pakistan and the 2004 tsunami. Like corporations and foundations, PVOs are trying to improve transparency and accountability, including better evaluation of their project results. Interaction notes increasing coordination among PVOs, many of which participated in global coalitions in 2005.

Value of Volunteer Time: $2.8 billion

Volunteer work has been central to the American ethos since the days of the republic's founding. Volunteer efforts—encouraged by schools, religious organizations, charities, and businesses—include building homes and providing food, reading classes, and health care services to those in need. Volunteerism has long been encouraged for school children through scouting organizations and other clubs, and for adults through religious and fraternal associations.

Volunteerism is seen not only as a way to serve others, but also as a means to build character. Schools are increasingly building community service requirements into their curricula. Students at Bethesda-Chevy Chase High School in Maryland, like high school students all over America, volunteer at homeless shelters, job training centers, community health clinics, and hospitals. Short-term volunteering abroad is a popular way for American teenagers to learn about other cultures while contributing to hands-on projects. For young people, programs like Global Routes help build cross-cultural connections by offering opportunities for high school students to volunteer in Belize, Kenya, Peru, and Thailand.

American adults volunteer abroad in a broad range of fields. They are welcomed around the world as Peace Corps volunteers and missionaries, working in disaster relief, education, and job training. Church missions work in orphanages, clinics, and schools. Volunteer activities are increasingly sponsored by private employers as well. The Starbucks Coffee Company's regional offices match local requests for volunteers with their employees, making service one of its core values.

Americans are welcomed around the world as Peace Corps volunteers and missionaries.

The USA Freedom Corps volunteer network website, www.VolunteersforProsperity.gov, helps users "find an international opportunity" in fields of worldwide needs—from the environment to education to public safety to health issues. President George W. Bush established Volunteers for Prosperity to recruit volunteers overseas for flexible, short-term assignments. The U.S. State Department maintains an active list-serve with volunteer opportunities for retired foreign service officers. More than 220 U.S. non-profits and companies participate in the initiative, representing a pool of 50,000 potential volunteers. In 2005 alone, 12,000 volunteers addressed challenges such as delivering communications technology to Senegal, Peru, Indonesia, and Jordan.

Based on data from the Independent Sector, an organization that specializes in non-profit and philanthropic institutions, American volunteers contributed at least $2.76 billion worth of time to international programs in 2005. Given the many and diverse types of individual volunteerism, this estimate is certainly low. The most recent available measure of volunteer time came from the 2001 Independent Sector telephone survey. The results show that close to half of all Americans over age 21, or 44 percent, volunteered for charitable, social welfare, or faith-based organizations at home and abroad. According to the survey, the volunteer time they contributed was equal to 9 million full-time workers. If youth volunteerism were added to these figures, the full-time worker equivalent would surely be higher. Please see page 75 for the Methodology.

Our overall estimate for 2005 volunteer time is lower than our 2004 figure in last year's *Index*, due mainly to the Independent Sector's revision, by one third, of volunteer time for foreign projects. In general, measures of international volunteer time have not been updated, making it necessary to carry over numbers from past surveys. Absent other data sources, we used the more conservative estimate for this year's *Index*. We hope that volunteerism will be better measured in the future, so that we can include more accurate data.

Universities and Colleges: $4.6 billion

More than half a million international undergraduate and graduate students study in the U.S. each year. Historically, the U.S. has welcomed foreign students not only to provide them with outstanding academic opportunities, but also as a means for American students and other citizens to learn about foreign cultures. Numbers fluctuate from year to year, responding to global economic and political factors. The last few decades have seen significant increases. Generous support by U.S. colleges and universities, private sponsors, and the government have made getting an education in the U.S. a possibility for millions of students around the world.

The Institute of International Education (IIE)[7] reports that for the 2004/2005 academic year, 47 percent of international students were enrolled in U.S. graduate programs, 42 percent as undergraduates, and 11 percent in other types of higher education programs. Private philanthropic support for students from the developing world was approximately $4.6 billion. 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 on page 76.

The $4.6 billion consisted overwhelmingly of scholarships, grants and other support provided by individual colleges and universities (84 percent). There were also substantial contributions from private sponsors (16 percent). According to IIE, private sponsors include the Ford Foundation, the Rockefeller Foundation, and multinational corporations that sponsor their employees and dependents for study in the United States. Students are frequently able to put together a "package" of support involving a number of sources.

The U.S. continues to welcome students from the developing world. In 2004, 57 percent of international students came from Asia, 12 percent from Latin America, 6 percent from Africa, and 6 percent from the Middle East. After strong growth between 2000 and 2002, international student enrollment dropped by 2.4 percent in 2003, and by another 1.3 percent in 2004. In 2005, international enrollments appear to have stabilized.

Analysts believe that tightened visa procedures after the 9/11 terrorist attacks were not the only reason for declines in the number of international students in the U.S. between 2003 and 2005. More students went to other developed countries, and, thanks to improving education in poorer countries, more students also attended college at home.

U.S. embassies have hired more staff and have improved procedures for review and approval of student visas in order to reduce waiting times. Currently, more than 80 percent of international student visa applications are approved. U.S. consulates now offer special visa-interview appointments or set aside walk-in times for interested students. The U.S. is working with a number of countries to develop reciprocal programs for extended visas, as well as to allow multiple re-entries to the U.S. so that international students can travel home more easily. In the U.S., most colleges and universities have specialized offices that ensure that foreign students have access to complete and current information, as well as opportunities to become part of American life during their time in the U.S.

Religious Organizations: $5.4 billion

Religious institutions have always emphasized feeding the hungry, extending generosity to the needy, and offering aid and comfort to people in crises. But religious communities respond not only in financial terms. According to the Independent Sector, 54 percent of Americans who attend religious services regularly also volunteer their time, both in the U.S. and abroad.

The magnitude of U.S. international assistance through religious institutions is not surprising. According to a 2002 study by the Pew Research Center for the People and the Press,[8] 59 percent of Americans said that religion played a very important role in their lives. In his 2006 book *Who Really Cares: The Surprising Truth About Compassionate Conservatism*, Arthur Brooks of Syracuse University's Maxwell School of Citizenship and Public Affairs finds that "religious people," defined as those who attend a house of worship once a week or more, are "inarguably more charitable in *every measurable way*" than the two thirds of the population who attend less often or never. Religious people are more charitable than the non-religious not only in giving to their congregations, but are also—regardless of income, region, social class, and other demographic variables—significantly more charitable in their secular donations and informal giving. This pattern holds steady across all major American religious faiths, says Brooks: In 2002, between 89 and 92 percent of Protestants, Catholics, Jews, and other religions gave charitably.

The Billy Graham Center at Wheaton College informed us that its study of "700 U.S. Protestant mission agencies" for 2005 yielded $5.24 billion in giving. We also analyzed data provided by the National Council of the Churches of Christ in the USA (NCCCUSA), reflecting $62,066,133 in donations from 64 denominations listed in the

TABLE 2

Data Sources for U.S. Religious Organizations' Giving to Developing Countries, 2004 and 2005 (in billions of $)	
Billy Graham Center at Wheaton College	5.24
Empty Tomb, Inc.	0.01
National Council of the Churches of Christ in the U.S.A. (NCCCUSA)	0.06
The Church of Jesus Christ of Latter-Day Saints	0.07
Total	**5.38**

Sources: The Billy Graham Center, 2007; Empty Tomb, Inc. 2004; National Council of the Churches of Christ in the U.S.A. (NCCCUSA), 2007; The Church of Jesus Christ of Latter-Day Saints, 2007.

organization's yearbook. Denominations listed by Empty Tomb, Inc. added $586,634. Finally, we included $73,000,000 reported by the Mormon church.

Given the number and varying organizational structures of religious organizations in the U.S., it is not surprising that there has been no broad, focused effort to gather statistics on religious giving. In the absence of such information, we approached the challenge of data gathering by contacting consortia of religious organizations to reach a total of approximately $5.4 billion. Please see page 76 for the Methodolgy.

Assistance provided by U.S. religious organizations to international causes is geographically and substantively broad. The Church of Jesus Christ of Latter-Day Saints provided aid in 163 countries between 1985 and 2005, the overwhelming majority of which was in the developing world. The Church sent hundreds of volunteers abroad with skills and experience in education, agriculture, social work, business, and medicine.

Religious organizations and congregations run orphanages, schools, and AIDS clinics; provide food, shelter, and health care; teach sustainable agriculture methods to farmers; foster civic participation; and offer hands-on humanitarian aid in disaster situations. People of faith are working hard at doing good.

Religious people are "inarguabley more charitable in *every measurable way*."

U.S. Remittances: $61.7 billion

"If you can't be there, your money can," reads a Western Union slogan. This holds true for the more than 125 million immigrants throughout the world who send money home to 500 million family members.[1] In 2005, they sent $188 billion alone to relatives in the developing world—accounting for 2.5 percent of the gross national income of these countries.[2]

Over the last ten years, the growth of remittances has outpaced both private capital flows and government aid. Part of the increase is due to better recording of remittances. Including informal transfers, through personal carriers for instance, the $188 billion estimate for 2005 could rise at least another 50 percent.[3] According to our own estimates, remittances from OECD donor countries to developing countries totaled $113 billion in 2005, or 60 percent of total remittances to the developing world. The U.S. alone accounted for more than 50 percent of this flow with $ 61.7 billion.

The largest beneficiary of global remittances in 2005 was Latin America with $53.6 billion, an average of $102 per capita.[4] Other regions with high remittance inflows were East Asia and the Pacific ($45 billion), South Asia ($35 billion), and Europe and Central Asia ($31 billion).[5] Countries with the largest inflows in 2005 were India with $23.5 billion, China with $22.4 billion, and Mexico with 21.7 billion.[6]

But, as a share of GNI, remittances are particularly important for a number of small countries with a large diaspora. The Dominican Republic, with remittances accounting for 37.2 percent of GNI, topped the list of 15 developing countries in which remittances accounted for more than 10 percent of GNI in 2005.[7] With high population growth in developing countries and a decreasing labor force in developed nations, the number of immigrants is sure to continue to grow at least at the current annual rate of 2.7 percent.[8]

Individual Remittances

Remittances are made possible by the economic strength and hospitality of host countries, thus acting as a form of private assistance to the developing world.

However one thinks of remittances—as philanthropy, development aid, or families taking care of their own—125 million people living in developed countries send money home to help their families. For more than 75 percent of those working abroad, sending money home has a higher priority than paying bills.[9] This global social security system works. When times are tough at home, immigrants send more money.[10]

Remittances are more than all foreign aid combined, and more than 62 percent of private investment. There is broad agreement on their value. The *New York Times* called remittances that Latin American migrants sent home "the largest and most direct poverty reduction program in the region."[11] Britain's Prime Minister Tony Blair hails remittances as an important contributor to development. Columbia University's Jeffrey Sachs believes that, "Remittances improve the living conditions of poor families, help to reduce the risks facing families spread across countries, and can also reduce poverty when used to finance investments in education, housing and health care."[12] U.S. Treasurer, Anna Escobedo Cabral calls remittances "a driving force for Mexico's economic growth."[13]

Immigrants send money home for other reasons as well. They might pay their families for taking care of their possessions or repay a family loan that funded their emigration in the first place. Forty-one percent of all immigrants from Central America used family loans to leave their country.[14] As an income diversification plan, remittances reduce the financial risks arising from natural disasters, civil wars, or other crises. Their main driving force, however, is more likely to be altruistic, underscoring their philanthropic nature.

Remittances are made possible by the economic strength and hospitality of host countries. Thus they act as a form of private assistance to the developing world. The chain of events begins with the creation of prosperous conditions. Those without opportunity at home go where it exists, participate in that country's economy, and share their bounty with those at home. Everyone is made better off through the confluence of freedom, prosperity, initiative, voluntary actions, and the human charitable impulse.

Collective Remittances

The term "collective remittances" has been used to describe the money that immigrants send home for a communal philanthropic project such as building a school, health clinic, or road.[15] Immigrants from Chinameca, El Salvador, now living near Washington, D.C., purchased an ambulance for their village. Immigrants who participate in collective remittance organizations, such as Hometown Associations (HTAs) in the United States, are often helping the poorest people in their home community.[16]

There are currently thousands of HTAs across the U.S., of which at least two thousand are Mexican. The average funds raised by an HTA are less than $10,000 per year, with budgets ranging from $3,000 to $40,000. These figures may sound small by U.S. standards, but they represent significant contributions to poor communities. While the exact amount given through HTAs is unknown, one estimate puts it at $200 million.[17]

The Mexican government enhances collective remittances through its "Three for One Program," where each dollar from an officially registered HTA is matched by the Mexican government at the federal, state, and local levels.[18] The program, which started in 2002 and has provided an estimated $60 million matching dollars annually, has not only helped integrate municipalities into the development process of these communities, but also increased the amount of funds for infrastructure and other public works projects.[19]

Impact of Remittances on Economic Growth and Development

Remittances have reduced poverty and positively affected economic growth in developing countries. A World Bank study found that a 10 percent increase in the share of remittances as a percent of GNI reduces the fraction of people living on less than one dollar per day by 1.6 percent.[20] The U.N. estimates that this poverty reduction potential resulted in 2.5 million people who escaped poverty in Latin America.[21]

The evidence of the impact of remittances on economic growth is less clear. According to the International Monetary Fund,[22] remittances have not had a significant impact on growth. Some studies even suggest that remittances impair economic growth.[23] But the most comprehensive study, by the World Bank, concludes that overall, remittances have promoted economic growth, albeit to a small extent.[24] The economic impact of remittances is positively related to the recipient country's macroeconomic and institutional environment.[25] In other words, the better the investment climate and political stability in the recipient country, the more it will benefit from remittance inflows.

Remittances contribute directly to the standard of living for recipient households.

Since remittances are used mainly for food, clothing, and shelter, they contribute directly to the standard of living for recipient households. In Mexico, remittances represent almost 50 percent of total family income in recipient households.[26] Children from families that receive remittances have better nutrition and health, and the infant mortality rate is lower.[27] In addition, they have lower dropout and lower illiteracy rates than children from families that don't receive remittances.[28] This increased consumption spurs economic growth through an increase in the overall demand for goods. Every dollar in remittances is estimated to increase Mexico's GNI by about $3.[29]

Savings and investment are, of course, beneficial for developing countries. The share of remittances not consumed is around 10 percent.[30] Increased savings provides emergency funds for poor families and increases the money supply, thus helping to lower interest rates and encourage bank credits. The resulting development of the financial sector is reinforced by the financial integration of recipients that accompanies the increasing use of formal remittance channels. In Latin America, each 1 percent increase in the share of remittances to GNI raises the ratio of bank deposits and credit to GNI by 5 percent.[31]

Surveys indicate that between 1 and 2 percent of all remittances are used for investments.[32] In Mexico, this fraction increased to 5 percent in 2006, up from 1 percent in 2003.[33] The economic benefits of such increases are significant. The World Bank estimates that using remittances as a means to ease credit constraints and finance investments in countries with few financial institutions accounts for half of their growth.[34] In the remittance-dependent economies of Eastern Europe, one quarter of businesses paid for 40 percent of their start-up costs with remittances.[35]

On a macroeconomic level, remittances can strengthen a developing country's Balance of Payments by increasing its foreign reserves. In the case of Morocco, remittances cover both the external public debt and most of the country's trade deficit.[36] The resulting improvement in credit worthiness allows the country to tap international financial markets on more favorable terms.

It is true that remittances can put upward pressure on real exchange rates and inflation. In a sample of 13 Latin American countries, a doubling of remittances resulted in a real exchange appreciation of 22 percent,[37] which can reduce the competitiveness of local producers. Thus, exports from most countries receiving the largest amounts of remittances have fallen, while imports have risen. This deterioration in balance of trade negatively affects foreign reserves and the level of output in the affected economy. Remittances can also lead to higher inflation as the demand for goods increases. Moreover, the additional net income provided by remittances affects the labor force by increasing the recipients' wage demands. In Mexico, nearly 90 percent of men who do not receive remittances are looking for a job, compared to 60 percent of men who are remittance recipients. Decreased participation in the labor force has a negative impact on economic output, and magnifies the dependency of recipients on their family members abroad.

While it is important to understand these costs, most studies conclude that the benefits from remittances exceed their costs. Two of the major costs—higher inflation and exchange rates—are also common to other resource flows such as foreign aid.

The sheer volume of remittances and the role they play in the economies of developing countries are staggering.

The sheer volume of remittances and the role they play in the economies of developing nations are staggering. While they are a significant engine of poverty reduction, they should, of course, not take the place of sound policies for economic growth in these nations. Good policies, leadership and governance can create job opportunities for the millions of migrants who would choose to stay in their home countries.

Increase in U.S. Remittances to the Developing World

From 2000 to 2005 the total foreign-born population in the U.S. increased slightly, from 11 percent to 12.1 percent, while the foreign-born U.S. civilian work force increased more substantially from 12.6 to 14.7 percent.[38] One of the results of this growth was an increase in the amount of remittances sent from the U.S. to developing nations, which reached $61.7 billion in 2005 (up from $47 billion in 2004).

Latin America and the Caribbean were the largest recipients of these flows. As seen in Table 3, Mexico alone received $ 17.7 billion in remittances from the U.S., by far the single largest bilateral remittance flow in the world. The buying power of Hispanic immigrants in the U.S. alone will reach $800 billion by the end of 2007.[39] Latinos in the U.S. now have the fastest growing purchasing power of any ethnic group.[40] A recent study by the Brookings Institution showed that immigrants spend $2 billion a year at check-cashing facilities and another $2 billion to send money to their families.[41]

Although the scale of Mexican remittances from the U.S. greatly outweighs that of other countries, all regions benefit from U.S. remittances. Large populations from India, China, and the Philippines work in the U.S. and send a portion of their earnings to their home countries. As a result of geography, the scale of the flows, and a lack of agreements between the U.S. and other countries to encourage the flow of remittances, the possibilities of these flows have not yet been fully realized.

TABLE 3

Remittances from the U.S. to Developing Countries, 2005 (in billions of $)

Recipient Countries	Remittances Received [42&43]
Middle East	3.0
Mexico	17.7
Latin America (excluding Mexico)	22.3 [44]
Asia & Pacific (excluding China, Philippines, and India)	2.7
India	5.3 [45]
China	2.3
Philippines	3.5 [46]
Africa	2.7
Eastern Europe	2.2 [47]
Total	**61.7** [48]

International Private Giving by OECD Donors

Introduction

Since the OECD published its report *Philanthropic Foundations and Development Co-operation* in 2003, research and private giving data collection on Europe have continued to grow. Hudson Institute contributed to the 2003 OECD report by providing some rough estimates on the magnitude of European and Asian foundation giving to the developing world.[1] There is no comprehensive data on European, Commonwealth, or Japanese private giving, although there are some new initiatives underway to study international donations. The European Foundation Centre is collecting data on international giving by large foundations. The Charities Aid Foundation has researched some country-comparative data, and Transnational Giving Europe is working to improve standardized reporting of private giving in Europe. The work is being done in collaboration with various European academic research groups.[2]

Most of the available data for OECD donors does not separate international from domestic giving. While there are some surveys of individual, foundation, church, and corporate giving, there have been no attempts to amalgamate these different categories into a total private giving number for OECD donors. Nor have remittances from European, Commonwealth, and Asian countries to the developing world been calculated for comparative purposes because these numbers have not been well researched until the last several years.

Almost all OECD donors report private giving each year, even though their data are incomplete. As discussed before, these submissions exclude corporations, and giving from religious congregations is likely underreported. Some of the submissions are based only on voluntary-only surveys, others are outdated, and several countries report no private giving at all.

We compared the private-giving data that some countries submit to the OECD to estimates of private giving by academic or other independent sources in these countries. While some of the government-reported private giving was similar to the conclusions of some research organizations, there were discrepancies with others. We have used the OECD data in our compilation of private giving numbers, with the exception of the United States and United Kingdom, for which we used data from independent sources that have collected more comprehensive numbers. The sources and techniques for the United States and United Kingdom data are discussed in the Methodology at the end of the *Index*.

Chart 7 on the following page shows the incomplete numbers submitted to the OECD for private giving to developing countries, as well as the more complete numbers for the United States and the United Kingdom. As the table shows, what the American and British governments report to the OECD for private giving is considerably lower than what is documented by other sources. France, Norway, and Spain reported no private giving at all. The Center for Global Prosperity will be working with governments and private institutions in Europe and Asia, encouraging them to com-

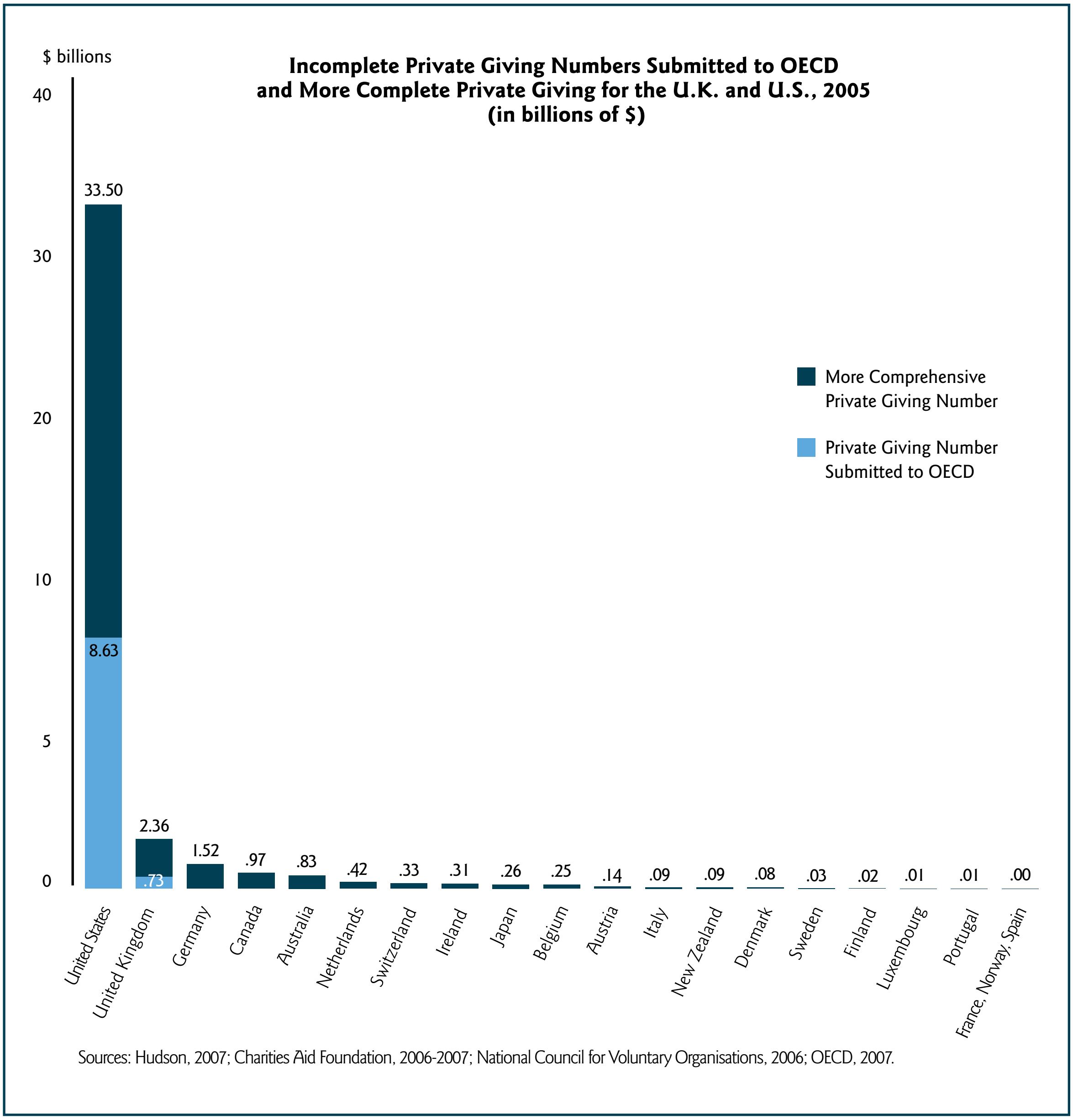


CHART 7

pile more complete numbers for the future. In this way, all OECD donors, not just the U.S. and U.K., can better document private contributions to the developing world.

For remittances from European, Commonwealth, and Asian donors to developing countries, the data are more comprehensive than their private giving submissions to the OECD. We have collected countries' Balance of Payments information, individual surveys, and World Bank conceptual estimates for countries without remittance data. For more information, please see the Methodology at the end of the *Index*.

History and Trends

While the tradition of charitable foundations began in Europe, it developed more slowly than in the U.S., largely due to the disruptions of two World Wars and an economic depression that affected family fortunes. European foundations began to re-emerge in the second half of the twentieth century. However, their size and scope were affected by various government and cultural factors, including higher personal taxation, accompanied by the view that these taxes support domestic social-safety nets as well as international obligations. For a more detailed discussion of some selected taxation policies and their effect on private giving, see Box C below.

Significant growth in European foundations has occurred over the last three decades. The European Foundation Center estimates that there were some 62,000 foundations in the original 15 member states of the European Union in 2000. This represented an average of 16 foundations per 100,000 inhabitants.[3] Two out of every three European foundations were established after 1970; fifty-six percent of Portuguese foundations were started after 1980. The highest growth rate took place in those countries that reformed their laws that govern non-profit organizations.[4] In Spain, the "Patronage Law" of 2002 encouraged and facilitated private giving through tax cuts for individuals who donate to foundations, and by increasing income-tax deductions for philanthropic giving.

Taxation in Europe

While the United States has long been a global leader in providing tax deductions for individuals and organizations, other countries, particularly in the European Union, are beginning to make changes in their tax regimes to encourage philanthropic giving.

The United Kingdom and France are two good examples of the progress in European taxation policies for charitable giving. In 2000, the United Kingdom created a program called Getting Britain Giving, which ran through 2004. It abolished an earlier ceiling of $2,300 on payroll gifts, as well as the $480 minimum donation to receive a tax deduction. There was also tax relief for donations of shares and securities to charitable organizations. The British government then created the Generous Society campaign in 2004, with the goal of doubling the tax deductions proposed by the Giving campaign. In January 2005, the government initiated the Payroll Giving Grants, encouraging companies with fewer than five hundred employees to set up payroll giving programs through which employees can donate regularly to charity.[a]

France's tax structure allows large deductions for charitable gifts. Individuals receive a tax credit for donations, up to 20 percent of taxable income, for 66 percent of the value of their donations.[b] France also encourages the formation of company foundations. Since January 2002, the creation of a corporate foundation no longer requires creation of an endowment. In 2003, new legislation doubled the tax benefits for corporations active in philanthropy. As of early 2006, there were a total of 175 corporate foundations in France, up from just five in 2003.

The tax codes of some countries—Austria, Sweden, and Finland—offer no tax incentives for charitable giving. Sweden and Finland have some of the lowest per capita private giving rates of all OECD donor countries.[c]

While the European Union is working on a comprehensive cross-border tax relief system, at present, there is no common approach among E.U. members to standardize tax relief.

BOX C

While France has had less of a tradition of private philanthropy, the creation of the Fondation de France in 1969 resulted in increased research on charitable giving, finding that it is growing and that corporate foundations are increasingly interested in providing aid in global humanitarian crises.[5] From the changes in European taxation regimes and increased involvement of individuals in global crises, private philanthropy is being encouraged and is on the rise in all OECD countries.

There are no data available on total European foundation giving to the developing world, although many European foundations are engaging more and more in global affairs. Some of the leading European foundations that give internationally include: the Charities Aid Foundation, the GlaxoSmithKline Foundation, the Shell Foundation, Barrow Cadbury Trust, and the Allvida Foundation in the U.K.; the Fundación La

Caixa in Spain; the Compagnia di San Paolo and Fondazione Cassa di Risparmio delle Provincie Lombarde in Italy; the Volkswagen Stiftung, Stifterverband für die Deutsche Wissenschaft, Deutsche Bank Foundation, the Robert Bosch Foundation, and the Mercator Foundation in Germany; the Knut and Alice Wallenberg Foundation in Sweden; the Calouste Gulbenkian Foundation and the Luso-American Foundation in Portugal; the King Baudouin Foundation in Belgium; the Bernard Van Leer Foundation in the Netherlands; the Fondation de France; and the Aga Khan Foundation and Pro Victimis Foundation in Switzerland.

With regard to individual giving, there are no separate data to determine how much goes exclusively to poor countries. The Charities Aid Foundation, however, conducted a 12-country comparative survey in 2005,[8] finding considerable variation among countries when it comes to private giving as a percent of GNI. This giving varies from a low of 0.14 percent of GNI in France to a high of 1.7 percent in the United States, followed by the U.K. at 0.73 percent. Canada, Australia, South Africa, and Ireland follow the U.K.; average private giving for all countries surveyed was 0.5 percent of GNI.

A second major finding was that private giving, as a percentage of GNI, is lower in countries that have higher levels of personal taxation, especially for social insurance. In fact, the survey noted that the level of social security contribution might be more significant than personal taxation in affecting private donation levels. Other factors that influence private giving include tax deductions, religiosity, and level of wealth.

Among Asian OECD donors, international private giving has a long history in Australia, New Zealand, and Japan. Much of Australian giving is done through nonprofit charities such as World Vision, CARE, and Caritas. The Fred Hollows Foundation is an example of one of Australia's prominent foundations that provides quality eye care in developing countries.

In Japan, the Sasakawa Peace Foundation and the Nippon and Toyota Foundations are well-known forces in philanthropic giving. Japanese private grant making was reported to have declined in the 1990s due to an unfavorable legal environment for private donations.[9] Nevertheless, a 1998 law promoting non-profit activities resulted in the formation of 3,500 new non-profit organizations.[10] The Japanese government encourages individual private giving through a voluntary international aid program called the Kokusai Volunteer Chokin program, started in 1991, which allows Japanese citizens to make voluntary contributions to international relief efforts.

There are notable efforts underway to measure more accurately and better document corporate giving to the developing world. Companies are publishing more materials in their annual reports and brochures, and the London Benchmarking Group, a U.K.-based association that sets standards and procedures for corporate giving, is establishing similar organizations in European countries outside of the U.K. While the documentation of corporate giving is improving, there is still limited comprehensive data to allow for accurate estimates.

Remittances from Europe: $34.98 billion

Remittances from European OECD donor countries to the developing world totaled $34.98 billion in 2005. The five countries with the largest remittance outflows were also those with the highest populations. The United Kingdom topped the list with $6.7 billion, followed by Spain with $5.8 billion, France with $5.7 billion, Germany with $5.4 billion, and Italy with $3.8 billion. Other countries sending significant remittances ($1 billion or more) were the Netherlands with $1.8 billion, Switzerland with $1.2 billion and Austria with $1 billion. We highlight remittances from Spain and France because they are the two largest single flows from European countries to single regions, Latin America and the Maghreb, respectively.

Remittances from OECD donor countries to the developing world[11]
2002 - 2005 (in billions of U.S.$)

Country	Amount	Largest Recipient
United States[12]	$61.70 billion	Mexico
United Kingdom	$ 6.68 billion	India
Canada	$ 6.36 billion	China
Japan	$ 6.27 billion	Brazil
Spain	$ 5.78 billion	Colombia
France	$ 5.73 billion	Morocco
Germany	$ 5.40 billion	Turkey
Italy	$ 3.75 billion	China
Australia	$ 3.16 billion	Lebanon
Netherlands	$ 1.76 billion	Turkey
Switzerland	$ 1.21 billion	Serbia and Montenegro
Austria	$ 1.02 billion	Serbia and Montenegro
Sweden	$ 0.87 billion	Lebanon
Greece	$ 0.83 billion	Albania
Denmark	$ 0.45 billion	Lebanon
Belgium	$ 0.40 billion	Morocco
Portugal	$ 0.40 billion	Brazil
Norway	$ 0.36 billion	Pakistan
New Zealand	$ 0.32 billion	China
Ireland	$ 0.23 billion	Nigeria
Finland	$ 0.08 billion	China
Luxembourg	$ 0.06 billion	Serbia and Montenegro

TABLE 4

Of all European countries, Spain sent the largest amount of remittances to one region, Latin America, in 2005. Migrants from Latin America living in Spain sent approximately $4 billion, or 0.45 percent of Spain's GNI, to their home countries. The largest recipients of these monies were Colombia with $1.2 billion and Ecuador with $1.2 billion.[13] As a percent of GNI, Bolivia was the largest recipient, where remittances from Spain accounted for 5.7 percent of its gross national income. As these numbers are based on Central Bank estimates that do not capture informal flows, the actual amounts sent are likely much higher.

From 1840 to 1960, Latin America enjoyed strong immigration of Spanish nationals, with significant remittance flows to Spain. In the 1930s, for instance, sending remittances was significantly cheaper than today. Bankers charged 0.5 to 1 percent per transaction from Latin America to Spain, compared to 4 to 22 percent for a transaction from Spain to Latin America today.[14]

A study by the Madrid regional government showed that 75 percent of remittances in 2006 were transferred through small shops called *locutorios* that offer inexpensive phone services and money transfers. Fifteen percent went through banks and 10 percent through informal means such as sending goods home. Jenny Hernandez, an immigrant from Ecuador, bought a washing machine in Madrid to be sent directly to her daughter back home.[15] This form of in-kind remittances increases the total amount even more, and these types of transfers are not recorded in Balance of Payments statistics.

The Japan-to-Latin America remittance market is considered a model for the rest of the world.

The Spanish government is promoting remittances through its "co-development" strategy, which encourages immigrants to send money back home through the banking system for development purposes, so that others will be less likely to emigrate. To increase remittances, the government signed an agreement with Spain's two largest banking associations to lower wire transfer fees.

The second largest single flow of remittances in Europe is $3.76 billion from France to the Maghreb region. Morocco and Algeria received the lion's share, with $1.6 billion and $1.5 billion respectively. Mass emigration from the Maghreb countries to France started during World War I and World War II, when an urgent lack of manpower in France led to the active recruitment of tens of thousands of North Africans for French factories, mines, and military. During World War II, 126,000 men from Morocco alone were recruited for the French army.[16]

In the 1960s and '70s, strong economic growth in Western Europe caused a renewed shortage of labor, increasing immigration from the newly independent North African countries. More than 90 percent of the emigrating 680,000 Algerians, 75 percent of the 300,000 Tunisians, and more than half of the 1.25 million Moroccans chose France, thus increasing the French Maghreb population to more than 1.5 million.[17&18] Their economic contribution to their homelands is significant. Remittances from France account for roughly 4 percent of Morocco's and 3 percent of Tunisia's GNI.[19]

Other developing countries benefit enormously from French remittances.[20] The World Bank reports that Malians living in France have contributed to some 60 percent of infrastructure development in Mali.[21] Just like Hometown Associations in the United States, forty Malian migrant associations in France have financed nearly 150 projects over a ten-year period. Three French banks offer lower rates for immigrants than those charged by agents outside the banking sector, and make about four hundred transfers a day.

Remittances from Other European Countries

The significance of remittances in the total economic engagement of OECD donors with the developing world should not be underestimated. U.K. remittances of $6.7 billion to poor countries, for instance, equal more than half of its $11 billion in government aid. Germany's remittances of $5.4 billion are also more than half of its $10 billion in official aid. As discussed in the section on U.S. remittances, the impact of the $113 billion of remittances from all OECD donors to poor countries is larger than all official government aid, at $107 billion in 2005, and represents 62 percent of all private capital flows from OECD donors to poor countries.

Remittances from Japan to Developing Countries

Total remittances from Japan to developing countries are estimated at $6.3 billion for 2005. They were primarily directed toward two regions, Latin America and East Asia. The approximately 435,000 Latin American adults living in Japan sent around $2.7 billion, or 45 percent of total Japanese remittances, to their home countries in 2005.[22] According to a study by the Inter-American Development Bank, Brazil received the largest share of this amount with $2.2 billion, followed by Peru with $365 million. The remaining $100 million went primarily to Argentina and Bolivia.[23]

The number of migrant workers from East Asian developing countries in Japan amounts to about 800,000. The Chinese, who represent 25 percent of all registered foreigners in Japan,[24] send the largest share of remittances to other Asian countries, with roughly $2 billion.[25] Filipinos residing in Japan are the second-most significant group, and the Asian Development Bank estimates their remittances at $930 million.[26]

All other developing countries received $0.5 billion.[27]

In contrast to migration to other industrialized countries, the influx of foreign workers to Japan is a fairly recent phenomenon. Japan traditionally has had strict immigration and visa policies. In the 1990s, however, shortages in manual labor prompted Japan to grant work visas to foreigners, primarily to those of Japanese descent. Interestingly, this encouraged many Japanese who had emigrated in the early twentieth century due to a shortage of work to immigrate back to Japan.

During the first emigration period, Latin America became home to 1.5 million Japanese, the world's largest Japanese diaspora.[28] The Latin American *dekassegui*, or "migrant workers," send more money home than most other migrants, making the remittance market between Japan and Latin America the highest one, per capita, between a developed country and a developing region in the world.

This is largely because Latin American migrants in Japan are more highly educated than Latin American migrants in other countries. Nearly 85 percent of Latin American adults living in Japan have at least a high school diploma; in the United States, only 17 percent of Latin Americans do.

More than 90 percent of Latin Americans in Japan have a bank account, and more than half have bank accounts in their home country as well, allowing remittances to be sent "account-to-account" rather than "cash-to-cash." This reduces average transaction costs to a mere 3 percent, the lowest rate to Latin America of any country in the world.[29] The Japan-to-Latin America remittance market is considered a model for the rest of the world.

With demographic trends projecting an aging Japanese society, demand for manual labor in sectors such as health care and elder care will surge. To satisfy this demand, Japan will need an increasing number of foreign workers. Given the already well-established remittance market and culture within Japan, future remittances will likely far exceed the $6.3 billion estimate for 2005.

• Remittance Sources for OECD Countries [30]: The United Kingdom,[31] Germany,[32&33] Italy,[34] The Netherlands,[35] Portugal,[36] Belgium,[37] Norway,[38] all other countries.[39]

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in order to be more competitive on bids, while still others will restrict basic overseas allowances for the same reason, even though they would be allowable under USAID regulations.

[10] Personal communication with John Damonti, president of Bristol-Myers Squibb Foundation, March 2, 2007. His foundation awarded a $22 million grant to the Baylor College of Medicine to establish the Pediatric AIDS Corps. The College then added $10 million to expand the Corps concept.

[11] 2005 Development Co-operation Report, Vol. 7, No. 1, OECD, Paris, 2006.

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[15] Export credits are loans to help foreigners buy a country's exports. They may be offered by the government of the exporting country ("official export credits"), or by banks or other private financial institutions ("private export credits"). Most private export credits are insured with an export credit guarantee agency. To avoid distorting trade through subsidies, World Trade Organisation rules require these agencies to not run at a loss, but they often do.

[16] ActionAid counts 75 percent of all technical assistance—including student costs, and costs for experts, consultants, advisers, and teachers—as phantom aid.

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[38] "Migration and Development: New Strategic Outlooks and Practical Ways," *Migration for Development: Within and Beyond Frontiers*. Washington, DC: International Organization for Migration, 2006.

[39] Donald F. Terry and Steven Wilson, eds. *Beyond Small Change: Making Migrant Remittances Count*. Washington, DC: Inter-American Development Bank, 2005.

[40] "Banking the Unbanked in the United States: Latino Segment Marketing Case Study," Wells Fargo, June 28, 2005.

[41] Amy Paulson, Audrey Singer, Robin Newberg, and Jeremy Smith, *Financial Access for Immigrants: Lessons from Diverse Perspectives*. Washington, DC: Brookings Institution, 2006.

[42] Figures based on the Bureau of Economic Analysis (BEA) Balance of Payments (BoP) statistics. www.bea.gov/bea/international/bp_web/list.cfm?anon=71&registered=0

[43] According to the standard Balance of Payments definition of remittances, remittances should be calculated by adding three lines of the Balance of Payments 1) "Net compensation of employees," 2) "Workers' remittances," 3) Migrant transfers. The U.S. International Accounts Data that was used only contained two lines 1) "Workers' compensation" and 2) "Private remittances and other transfers," which includes migrant transfers, but also "includes taxes paid by U.S. private residents to foreign governments and taxes paid by private nonresidents to the U.S. Government." Although this number should not be counted as a part of remittances, it is a small number, and when considering that the informal remittances estimated at 40-50% of formal remittances are not reported in BoP, there is no danger of these figures being over estimations.

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receive $40 billion in remittances from the U.S. The BoP figure from Mexico was then subtracted.

[45] Figure based on Indo-Asian News Service. "India's Remittance Income from US Rising: Study," India News, July 25, 2004. in.news.yahoo.com/040725/43/2f4wl.html The study provided a 2003 survey by the Confederation of Indian Industry, which estimated this figure for 2005. However, the BoP figure is shown to be low when considering that total remittances sent to India were $22 billion, of which the U.S. is the largest sender based on: Hari Sud, "Remittances from Abroad and India's Economic Development," South Asia Analysis Group, 2006.

[46] Figure based on Bankgko Sentral ng Pilipinas. "Overseas Filipino Workers Remittances: Compilation Practices and Future Challenges." Ottawa: International Association for Official Statistics, 2006. The total estimate of incoming flows to Philippines was $7.6 billion. It was also estimated that almost 50% of these flows originate in the U.S.

[47] Based on Bilateral Conceptual Model developed by Dilip Ratha, World Bank, retrieved on December 7, 2006 from siteresources.worldbank.org/INTPROSPECTS/Resources/334934-110315015165/T4RemittanceEstimatesMS_HC_SC_Incomes.xls.

[48] The overall number for remittances from the U.S. has increased from $47 to $61.7. This increase is a reflection of two factors. 1) The number of foreign-born residents grew from 2004-2005. 2) From 2004-2005 more formal remittance companies surfaced, decreasing the average price of remitting formally and giving senders more options to remit formally. Remittances figures are becoming more accurate, because a larger percent of remittances are passing through the formal market.

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[4] Andreas Schluter et al. *Foundations in Europe: Society, Management and Law*. London: Charities Aid Foundation, 2001.

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[8] *International Comparisons of Charitable Giving*. London: Charities Aid Foundation, 2005.

[9] *Strengthening Philanthropy in Asia Pacific: An Agenda for Action*. Bali, Indonesia: The Asia Pacific Philanthropy Consortium, July 2001.

[10] Ibid.

[11] Unless otherwise noted, remittance data are derived from the World Bank. "Bilateral Remittance Estimates using Migrant Stocks, Host Country Incomes, and Origin Country Incomes (millions of US$)." siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/T4RemittanceEstimatesMS_HC_SC_Incomes.xls (see Part III for an explanation of this conceptual model), December 12, 2006.

[12] Figures based on the Bureau of Economic Analysis (BEA), Balance of Payments (BoP) statistics, www.bea.gov/bea/international/bp_web/list.cfm?anon=71&registered=0

[13] Banco de España. "Las remesas de España clave de la estabilidad marcoeconómica de Bolivia, Ecuador y Senegal. remesas.org/donde.html, December 14, 2006. Data includes Ecuador, Senegal, Dominican Republic, Peru, Philippines, and Brazil.

[14] Remesas.org. "El precio de una remesa entre España e Iberoamerica oscila entre el 3,7% y el 22,3%," www.remesas.org/coste.html, December 24, 2006.

[15] Victoria Burnett, "Madrid seeks to encourage remittances from migrants," *Financial Times*, February 26, 2007.

[16] Hein de Haas, "Morocco: From Emigration Country to Africa's Migration Passage to Europe," Migration Information Source, www.migrationinformation.org/Profiles/display.cfm?ID=339, December 14, 2006.

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[18] Ayman Zohry, "Migration Without Borders: North Africa as a Reserve of Cheap Labour for

Europe." Paris: UNESCO, 2005.

[19] Jacques Bouhga-Hagbe, Altruism and Workers' Remittances: Evidence from Selected Countries in the Middle East and Central Asia. Washington, DC: International Monetary Fund, 2006.

[20] All other developing countries data from one of the following sources:

Ioana Schiopu and Nikolaus Siegfried, "Determinants of Workers' Remittances: Evidence from the European Neighbouring Region." Frankfurt: European Central Bank, October 2006, p. 30. Data also includes Algeria, Tunisia, Croatia, Romania, Serbia and Montenegro, and Egypt.

Banque de France, quoted in Sixtine Léon-Dufour, "Les immigrés, financiers du développement," *Le Figaro*, November 17, 2005.

See endnote #11.

[21] Gumisai Mutume, "Workers' Remittances: A Boon to Development," *Africa Renewal*, Vol. 19, No. 3, October 2005.

[22] Multilateral Investment Fund. Remittances to Latin America from Japan. Okinawa, Japan: Inter-American Development Bank, 2005. Data also includes Peru, Bolivia, Paraguay, and Colombia.

[23] Ibid.

[24] Japanese Statistics Bureau and Statistical Research Institute. "Registered Foreigners in Japan as of December 31, 2004," www.stat.go.jp/english/data/figures/zuhyou/1612.xls, November 27, 2006.

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[26] "Workers' Remittance Flows in Southeast Asia." Manila, Philippines: Asian Development Bank, 2005. Data includes Indonesia.

[27] All other developing countries data from one of the following sources:

See endnote #11.

Center for Contemporary Conflict, "South Korea–North Korea Relations: Influence of the PSI on North Korea," Strategic Insights, Volume V, Issue 7, September 2006.

[28] Multilateral Investment Fund. Remittances to Latin America from Japan. Okinawa, Japan: Inter-American Development Bank, 2005, p. 2.

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[30] See endnote # 11.

[31] U.K. Remittance Working Group, "UK Remittance Market." London: Department for International Development (DFID), 2005. www.dfid.gov.uk/pubs/files/uk-remittances-report.pdf. Figures were converted from pounds, using 2004 rate of 1U.S.$ = 0.54£

[32] Jens Walter, "Workers' remittances, current private transfers and compensation of employees in the German Balance of Payments statistics." Deutsche Bundesbank, June 2006. www.imf.org/external/np/sta/bop/2006/luxgrp/pdf/german.pdf. Data includes Turkey, Serbia and Montenegro, Vietnam, and Iran.

[33] Ioana Schiopu and Nikolaus Siegfried. "Determinants of Workers' Remittances: Evidence from the European Neighbouring Region." Frankfurt: European Central Bank, October 2006, p. 30. Data includes Croatia. Tunisia, Romania Egypt, Morocco, and Russia.

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using 2005 rate of 1U.S.$ = 0.834€ The survey covers all person-to-person cross-border transfers of money. Estimates for informal remittances, which may account for 50 percent of all remittances, are not included.

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[36] Ibid.

[37] Ibid.

[38] Jørgen Carling, "Migrant remittances and development cooperation." Oslo: International Peace Research Institute, 2005, p. 75. Exchange rate: 1NOK = $7.083U.S.

[39] World Bank. "Bilateral Remittance Estimates using Migrant Stocks, Host Country Incomes, and Origin Country Incomes (millions of US$)." siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/T4RemittanceEstimatesMS_HC_SC_Incomes.xls

Box C, p. 29:

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[b] "French Legal Changes Spur Growth of Corporate Foundations," Social Economy and Law Journal. Brussels: European Foundation Center, September 2006, Issue 17.

[c] David Roodman and Scott Standley, "Tax policies to promote private charitable giving in DAC countries," Working Paper 82. Washington, DC: Center for Global Development, February, 2006.

Geoff Bugbee/FXB International

Foundations: Symbols of Generosity

Foundations address a broad range of needs: disaster relief, health and social issues, agricultural and environmental improvement, political unrest and poverty. Foundation resources can be sizable or modest, focusing on broad regional change or assistance on an individual level. Smaller, localized "community foundations" are forming in order to focus on a specific geographic area, generally with the active participation of community members.

The stories that follow illustrate some of the successful foundation strategies and approaches, from agility and adaptability in local circumstances, to collaboration with other organizations and innovative thinking.

Beating the Odds Against AIDS

At age seven, Paul is like many other children in Gatenzi, a rural village in central Rwanda. He lost both parents to AIDS. Severe malnutrition has stunted his growth and delayed his entry to school. He lives with his grandparents, who provide shelter for several young extended-family members who have also been orphaned by AIDS. And, like many other residents of Gatenzi, Paul and his family are lucky: They are among the beneficiaries of the King Baudouin Foundation's grants to help poor people with AIDS in central Africa.

Founded in 1976, Belgium's King Baudouin Foundation is one of Europe's leading philanthropies. Named after the former king of Belgium, the foundation's focus on AIDS in central Africa stems from United Nations Secretary-General Kofi Annan's 2002 call for large-scale action against AIDS. That same year, the King Baudouin board of governors approved a grant of $1 million to fight AIDS in Rwanda, Burundi, and the Democratic Republic of Congo. "The aim," according to the King Baudouin Foundation, "was to make a tangible contribution to the global fight against AIDS whilst encouraging other foundations in Europe to follow its example." This grant formed a partnership between the King Baudouin Foundation and François-Xavier Bagnound International (FXB), a Swiss non-governmental organization that focuses on AIDS, especially the children orphaned by it. The grant allowed FXB to fund basic healthcare, information on AIDS prevention, support groups, food, education, psychological counseling, and job training through its Village Model Program that helps more than sixty Rwandan families devastated by AIDS.

The program focuses on rebuilding towns devastated by AIDS and is tailored to the social, cultural, and political characteristics of each community. Each village program is designed to last for three years, becoming less costly each year, since the basic materials for the job training, health center, and school—farm animals, medicine, and books—are provided at the beginning of the program, and families become increasingly self-sufficient. The total budget for a three-year village program is $150,000.

In 2002, the financial support from the King Bauduoin Foundation allowed FXB to extend the village model to the Rwandan city of Gitarama, where 15 percent of the population was infected with HIV. FXB launched two village programs that helped 160 families—960 people in all. After three years, 85 percent of the beneficiary families had become entirely self-sufficient. These results are not unique to Gitarama—they reflect the average self-sufficiency rate of all Village Model Programs.

In the case of Paul, his health improved dramatically after the Gatenzi VMP team placed him on a special diet of milk, sosoma (a mixture of maize, sorghum, and soy flour), and sugar. In addition, his grandmother took part in the agricultural job training, in which she received a pig, fertilizer, a shovel, and seeds.

As a result of these successful programs, the King Baudouin governing board voted to extend support to AIDS projects in Burundi and Congo with another $900,000 until 2008—giving more children like Paul hope for the future. —*Catherine Fisher*

Helping Refugees on the Ground, and From Afar

Newscom/ZUMA Press

The International Refugee Trust (IRT), based in the United Kingdom, helps refugees and displaced people in Uganda, Sudan, Jordan, and Thailand who have fled civil war and genocide. Since 1989, IRT has focused its efforts on the vision "that refugees and internally displaced people overseas will have the help they need not only to survive the trauma of today but also to rebuild their lives for the future." One project funded by IRT provides an enormous service for the Burmese *Shan* minority fleeing ethnic persecution by the military government of Myanmar (formerly Burma). The Landmine Victim Centre, located close to the Thai-Burmese border, creates and fits prosthetic limbs for landmine victims. The success of the project is measured not only in the number of artificial limbs provided, but also in the ability to provide landmine victims with a support network. The two founders are refugees of the Burmese conflict and landmine victims themselves.

IRT funds long-term projects—rebuilding the lives of refugees through education, access to health care, and job training. Projects in 2006 included the Arab Episcopal School for blind refugee children in Jordan and salaries for school teachers in the Sudan. IRT pledges that "we aim to make many projects self-sustaining, so that in the long-term they will prosper independently." Most IRT projects are run by a group called Missionary Sisters, Roman Catholic nuns who operate orphanages, maternity hospitals, and women's skills centers in Uganda and Sudan.

The most important characteristic of IRT's structure is its focus on close communication with individual donors, most of whom are in Great Britain. IRT sends out tri-annual "Appeals," which provide donors with detailed information about current projects, as well as an annual newsletter. In a recent issue, Sister Josephine Tresoldi, who oversees IRT projects in southern Sudan, addressed the donors: "IRT has a special place in the hearts of the [Missionary] Sisters in Sudan and the people whom they are helping. No other aid organization visits the area in the way that [IRT regional director] Francesca does. We know that…she cares deeply for the Sudanese people and is…determined to make sure that care is turned into positive action. The Sisters and I thank IRT's donors for their continuing generosity. You may be safe in the knowledge that your donations are used in the best possible way." —*Catherine Fisher*

Faux Leather, Real Help

From the catwalks of Paris to the fashion studios of Milan, major European designers such as France's Hermès are featuring the "faux leather" products of AmazonLife, a company supported by the Avina Foundation in Switzerland. The faux leather is made from Treetap®, a cotton fabric distributed by AmazonLife coated in natural latex made from the *pará* rubber tree native to the Amazon rainforests.

In recent years, global rubber production has shifted from the use of natural latex to oil-based chemicals, driving down the price of rubber and resulting in lost jobs for Amazonians whose livelihood depended on rubber tapping—forcing many to take jobs clearing rainforests for higher-priced commodities like cattle and timber. Harvesting latex from the pará tree provides work that does not destroy the rainforests, and the Brazilian government has begun to set aside protected areas of forests where such rubber tapping can continue.

Faux leather skirt from AmazonLife.

The concept behind AmazonLife was developed more than a decade ago, when Maria Beatriz Saldanha and her business partner João Augusto Fortes opened a store to sell environmentally friendly products in Rio de Janeiro, and used shopping bags made from wild rubber.

AmazonLife sells wild rubber—raw material as well as finished handbags, backpacks, briefcases, and hats—that benefits two hundred rubber tappers and their families, about a thousand people. According to the World Wildlife Fund, "before the project began, it was hard for these communities to find buyers for natural rubber, and when they did, they only sold it for around [30 cents] per sheet. Today, the communities…sell 40,000 wild rubber sheets per year at ten times the price." AmazonLife's environmental conservation and promotion of economic development in South America have made the Brazilian company's work one of 285 ventures backed by the Avina Foundation in 2005.

Founded in 1994 by Swiss industrialist and entrepreneur Stephan Schmidheiny, and funded by his personal and business assets, Avina envisions "a prosperous, integrated, compassionate, and democratic Latin America built by its citizens." Operating 24 offices throughout South America, Avina works with more than one thousand business, education, and community leaders from Latin America, the United States, and Canada. Avina has given $320 million in support of the projects and causes of its partners, with $28.3 million distributed in 2005 alone. —*Morgan Dumont*

Local Philanthropy, Growing Community

Local philanthropy is on the rise around the world. In 1974, the well-known United Way, which operates primarily in the U.S., founded United Way International (UWI) to foster a culture of philanthropy in developing countries. Today, UWI coordinates a global network of individual donors, corporations, non-governmental organizations, foundations and UWI branches in more than thirty developing countries. From United Way Mauritius in Africa, to United Way of Mumbai in India, local volunteers are helping indigenous NGOs raise private money for schools, clinics, and small start-up businesses. Vajiraya Buasri, head of UWI in Thailand, says that his network of 833 member charities solves problems "because we are a nongovernmental organization, take quick action, spend wisely, and are accountable."

Community foundations are becoming one of the fastest-growing forms of philanthropy in Latin America, Africa, and Asia, where their number has increased by 26 percent from 2000 to 2005. These local foundations focus on a particular geographic area, and are funded by local businesses, governments, and individuals. The concept of the community foundation first developed in 1914, when Frederick Goff, a prominent Cleveland banker, established the Cleveland Foundation in Ohio to address local issues. Today, more than 1,100 community foundations exist in 48 countries around the world.

The Worldwide Initiatives for Grantmaker Support (WINGS), established in 2000, plays an important role in promoting community foundations in the developing world. WINGS is a network of more than 130 organizations in sixty countries, and its Global

Fund for Community Foundations program, established in 2006, is supported by public and private donors including the World Bank, the U.S. Agency for International Developmant the Charles Stewart Mott Foundation, and the Ford Foundation.

Ecuador

One community foundation supported by WINGS is the Fundaçion Esquel-Ecuador (FEE), established in Ecuador as an NGO in 1990 with intial funding from the Rockefeller Foundation and the International Youth Foundation. Aiming to make the members of poor communities in Ecuador economically self-reliant, FEE promotes entrepreneurial initiatives through microfinance, lending small sums of money for people to start small businesses.

Community foundations are vibrant examples of local self-reliance, and heralds of a new generation of philanthropists in developing countries.

FEE has worked in 19 of Ecuador's 22 provinces, investing $25 million in more than four hundred projects that have benefited 700,000 people. The local foundation relies on a staff of 45 who work with fifty NGOs, two hundred grassroots organizations, 180 youth groups, and numerous companies to promote economic development, entrepreneurial opportunities, educational programs, and citizenship programs in which the duties of local government officials are made transparent to citizens so they can evaluate their performance.

Russia

In Russia, the first community foundation was registered in Togliatti in 1998. The Togliatti Foundation received initial funding from the Mott Foundation and is currently developing an endowment. In addition to grant-making, Togliatti funds a system of "youth banks," which allows young people to designate about $20,000 a year to certain projects. This opportunity motivates Russian youth to care about their communities and develop their own ideas as to how to improve these communities.

Community foundations were first introduced to Russians in the 1990s by the Charities Aid Foundation (CAF). Based in the U.K., CAF promotes economic development throughout the world. It opened its Russian office in 1993 to support the growth of Russia's non-profit sector, and to promote private charity. CAF's Russian branch relies on a partnership with more than twenty prominent Russian and international companies and about forty groups that support NGOs throughout Russia.

India

One of the first organizations to actively promote private philanthropy in India was the Bombay Community Public Trust (BCPT) in Mumbai. Founded in 1991, the BCPT was funded entirely by local Indian businesses and foundations, including the Sir Ratan Tata and Sir Dorab Tata Trusts, established by the two sons of Jamsetji Tata, founder of India's Tata company. [See page 47 for information on today's Tata Group.]

After a series of terrorist bomb explosions in taxi cabs in 2003, BCPT focused heavily on disaster preparedness and management in Mumbai. BCPT established the Mumbai Disaster Relief Fund to assist with the rehabilitation of those injured by the bomb blasts. BCPT continues to strengthen its Disaster Relief Fund by seeking financial support from local corporations and individuals.

While FEE, the Togliatti Foundation, and BCPT are just three examples of community foundations abroad, they are vibrant examples of local self-reliance, and heralds of a new generation of philanthropists in developing countries. —*Morgan Dumont*

Corporate Giving:
Creating Partnerships That Work

Aid from the corporate world is more than just money. It transfers the skills, knowledge, and creativity of the private sector to developing countries. Pharmaceutical manufacturing experts are helping companies in developing countries produce off-patent drugs critical to curing a major pandemic. Other companies are training local NGOs in accounting and management so there can be local ownership of their philanthropy programs in the field. Participating in numerous public-private partnerships with overseas foundations, governments, and charities, the business world fosters approaches that last long past the partnership. Corporations in Europe and the developing world have joined the effort as well, offering insurance and loan plans tailored to the needs of the poor, bringing more and more poor people into the financial services sector.

The examples below illustrate a range of ways in which the corporate sector around the world is creating dramatic change in poor countries. Doing what it does best—producing quality goods and services—and applying these skills to worthy causes results in resources that might not be captured in our corporate giving numbers, or even by companies themselves.

How Big Business Saves Lives

There has not been a year like 2005 in recent memory, and it demonstrated the capacity of the U.S. private sector to mobilize resources and contribute to disaster response in an unprecedented fashion. Nevertheless, a widely shared goal of corporate disaster responders is that future disaster responses be measured not in terms of how much is contributed but how effectively resources are used to save lives and restore communities.

— "From Relief to Recovery: The 2005 U.S. Business Response to the Southeast Asia Tsunami," Business Civic Leadership Center, U.S. Chamber of Commerce

Shortly after 8:00 am on December 26, 2004, a tsunami struck Southeast Asia and parts of Africa. Triggered by an earthquake off the coast of northern Sumatra that was the second largest in history—9.0 on the Richter scale—the tsunami hit 12 countries within hours, taking the lives of 186,000 people, destroying 400,000 houses, reducing hundreds of schools, health centers, and vital infrastructure to rubble, and disrupting the livelihoods of nearly one and a half million people. With damage estimated at $10 billion, five million people were in need of immediate relief.

The tragedy was extraordinary. Not as extraordinary, however, as the next wave to hit: the greatest outpouring of humanitarian relief in history. Help came from governments, relief agencies, international financial institutions, private organizations, corporations, and individuals worldwide. The United Nations Office of the Special Envoy for Tsunami Recovery estimates the sum of their generosity came to some $13.1 billion. Of this, $841 million has been committed by the U.S. government and nearly $2 billion from U.S. businesses, non-governmental organizations and individuals.

Many companies slashed ceilings on employee charitable matching programs, created new relief funds, and went far beyond their annual philanthropic budgets. If U.S. businesses were a country, they would have ranked fifth in the world for total donations to the tsunami relief efforts, above the governments of Canada and China.

What made U.S. corporate tsunami relief so striking was that companies did not simply give money to relief organizations. They rallied employees, volunteers, and company experts and helped people on the ground. Businesses donated products (25 percent of total corporate donations), expertise, and technology. Firms employed their core competencies, local expertise, and public and private partners to "build back better," a phrase coined by Bill Clinton, what the tsunami had destroyed. To "build back better" meant that businesses aspired to not just rebuild roads and schools, but to create better and more lasting economic conditions. Above all, companies demanded that their aid be effective and efficient. In many cases, companies formed partnerships or carved deeper relationships with NGOs to encourage accountability.

Companies did not simply throw money at relief organizations. They rallied employees and volunteers and helped people on the ground.

Much was desperately needed in the immediate aftermath of the tsunami, and the subsequent material aid that came pouring into airports all over Southeast Asia easily could have clogged tarmacs and jammed supply flows of necessary relief. It did not. Shipping companies, including DHL International and UPS, stepped in as logistical experts to coordinate the massive flows of relief materials to various airports. DHL provided logistical experts through a partnership with the World Economic Forum's Disaster Resource Network's Airport Emergency Team (AET), which handles cargo surges in disaster situations. AET and DHL coordinated with local airport staff to create a database of incoming aid, and sorted and moved donations to warehouses where relief organizations could easily find and distribute them to victims. UPS also offered its logistical expertise to coordinate freight deliveries to local governments. Both companies donated this service, chartered flights and lent local delivery vans, effectively donating millions of dollars.

Logistical expertise was also needed for on-site emergency management, identification of the missing and dead, management and distribution of supplies and to monitor demands. IBM, Microsoft, Nokia, and Sony Ericsson donated technical expertise and technology—$3.19 million in laptops, digital cameras, fingerprint readers, servers, and satellite communications systems At the request of national governments, IBM mobilized its Crisis Response Team to advise senior officials and disaster coordinators. Microsoft likewise created disaster management applications and victim identification systems, as well as providing technology experts. Nokia and Sony Ericsson provided 2,300 cell phones to rescue teams.

Newscom/Getty Images

The pharmaceutical industry, too, rallied more than cash for immediate relief, donating more than $178 million in antibiotics, antifungals, antiseptics, analgesics, disinfectants, medications, nutritional supplements, vaccines, and wound care items to the devastated area. Just a few industry contributors included: Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Novartis, Roche, Bayer, Lilly, Merck, and Pfizer.

Communications and media corporations also raised essential funds for immediate disaster relief. Time Warner donated airspace for public service announcements and celebrity telethons. Time Warner's AOL division launched a special online donation site to allow people to easily make donations to a broad range of relief agencies. CNN and Turner Broadcasting Systems, another Time Warner division, set up a website for locating missing family members.

While immediate tsunami relief was a definite priority, many U.S. companies sought commitments for more lasting economic development in ravaged communities. The Dow Chemical Company earmarked funds for the revival of the region's vital fishing industry. Money has gone to repairing and building fishing boats, as well as to a microcredit program to fund small business loans. The Coca-Cola Company concentrated efforts on school reconstruction projects and economic empowerment programs. The Chevron Corporation has made a long-term commitment of $10 million over three years, some of which will go to vocational training programs. These programs—in building construction, electrical wiring, welding, bookkeeping, and computer applications—all aim to increase local reconstruction ability, now and in the future. ExxonMobil has taken a lead in long-term sustainable development, building orphanages, schools, and health clinics, training midwives, and financing microenterprises and fishing industry development. Microsoft is working with local officials to develop an information network to revive damaged fishing communities. Nokia created a $3.2 million Reconstruction Fund that provides job training for young people.

Essential infrastructure—water, sanitation and electric systems—was annihilated by the tsunami. Here too, U.S. businesses worked to "build back better." Dow Chemical has provided training, chemicals, and purification technology for water and sanitation systems. General Electric (GE) donated two 52-foot mobile-water treatment units, several mobile generators, and the time and expertise of engineers to operate them. Also included was the expertise of fifty GE engineers, scientists, and project managers, donating time to work with local officials and NGOs. Coca-Cola funded a hydrogeological survey to find freshwater in Aceh, Indonesia, one of the hardest-hit areas, in order to create a base for water systems construction. Coca-Cola also collaborated with an indigenous renewable-energy NGO, IBEKA, and the Nurani Dunia Foundation to build an essential micro-hydro, eco-friendly power generator in Krueng Kala near Aceh. The Krueng Kala community was involved in every step of planning, construction, and operation. Microsoft is working with local officials to develop a tsunami early warning system. Part of Chevron's donations are earmarked for research on mangrove plants—shown to protect coastal areas from erosion, storm surges and tsunamis.

Is there reason to fear that corporate generosity will dwindle in the future? Unlikely. Corporations are also beneficiaries in the process of donating. A firm's reputation becomes linked to humanitarianism. Employee morale and productivity rise at home as employees perceive themselves as agents for a worthy cause. New business relationships are fostered, contacts formed and global partnerships forged in an environment of mutual cooperation, trust, and renewal.

The Kashmir earthquake in Pakistan on October 8, 2005 sparked a response that is a testament to this trend of trust and giving. Once again, businesses joined forces with other organizations to provide immediate relief to the devastated areas. One such organization was Mercy Corps, an NGO that sent a helicopter with water purification tablets, soap, and towels, and later helped repair and re-open schools. The Boeing Company donated $1 million to Mercy Corps two days after the earthquake hit. Intel donated to Mercy Corps as well. Procter & Gamble teamed up with USAID to provide safe drinking water to 14 countries affected by the earthquake, and IKEA enlisted UNICEF's help to distribute 350,000 quilts for children in the coldest areas.

Firms have been formulating pre-disaster planning initiatives and reforming protocols to facilitate greater involvement. They are expanding the depth and breadth of their relationships with charities, NGOs, and even competitors at home and abroad. Many are updating employee matching programs, making them more generous and global. Firms are critically examining core competencies and how they can make a difference in a time of crisis. Finally, companies are also looking at any shortcomings — funding and distribution gaps, response time, extended involvement—of the 2005 response, in order to be yet more efficient in the future. —*Krista Cascia*

Business Lessons from the Developing World

The notion of "corporate social responsibility" has become increasingly popular over the past few years, but one Indian corporation has subscribed to this ethic for nearly a century. The Tata Group, a multi-sector business conglomerate, has been described by chairman Ratan Tata as "capitalistic by definition, and socialist by nature." This developing-world company has, in many ways, led the trend of community involvement by corporations, and it continues to find innovative ways to maximize both profits and social impact.

Tata began its legacy of fair social practices in 1912, when the company enacted an eight-hour work day for steel workers—long before its U.S. or European counterparts. Today, the company supplies $25 million worth of public services, including education and infrastructure, for Jamshedpur, the underdeveloped town which is home to Tata, each year. In addition, the Tata Trusts (the trusts to which the creators of the Tata Group bequeathed most of their personal wealth) donate virtually all income to community projects, and each of the corporation's 96 companies supports the communities in which it does business. In total, the Tata Group spends more than $100 million a year on social welfare programs. All of this philanthropy is offered with the intent of providing local community members with the ideas and the tools to take the lead to improve their own lives and circumstances.

Giving "is not a question of checkbook philanthropy, but of personal involvement."

The Tata Steel Rural Development Society (TSRDS) and the Tribal Cultural Society are examples of Tata subsidiaries that work with local communities to develop innovative solutions to ingrained problems. One of their projects is in the village of Betakocha, home to 103 families of low castes, who for years had been leasing their land at low prices to brick-kiln owners. The bricks from the kilns had left the land devastated, but with the aid of TSRDS and the Tribal Cultural Society, the villagers were able to reclaim their land and begin restoring it to reinvigorate agriculture. The villagers were also encouraged to start a sanitation campaign, improving the overall health of the village. The work in Betakocha was not only a single act of giving by the Tata Group, but a systematic means of helping these villagers organize their assets and apply them toward a long-term strategy to lift themselves out of poverty.

Although the Tata Group companies engage in a diverse range of philanthropic programs throughout India, they all share a common feature—creating sustainable programs that urge those being helped to help themselves. Another example of this type of innovative giving structure can be seen in a Tata Chemicals Society Rural Development (TCSRD) initiative that focused on the handicraft skills of three hundred local women to end their dependence on agriculture in a highly drought-prone area. The women pay a small fee to join the program, to give them a sense of ownership. They are then trained in pattern making, but also in teamwork, product quality, and market basics, helping them become entrepreneurs. They make purses and other items with traditional patterns, which were initially sold in local artisan shops, and are now sold at handicraft stores in Kolkata and New Delhi where they are becoming popular with urban consumers.

TCSRD, established in 1980, has a wide range of programs that push communities toward self-sufficiency. Many Tata programs rely heavily on volunteers. Currently more than 20,000 volunteers from twenty companies are involved with Tata projects, greatly expanding the reach of the programs. According to Anant Nadkarni, who manages Tata's community initiatives, giving "is not a question of checkbook philanthropy, but of personal involvement."

Tata staff generally volunteer for three to four hours per week. While Tata offers promotions and incentives to engage its employees in volunteer opportunities, many employees say that the sense that they are doing something to help others is extremely rewarding in itself. Additionally, with the wide array of social welfare programs offered by Tata, staff can integrate their own skills into their volunteer work, and pass on some of their knowledge.

Since its inception in 1968, the Tata Group has been using innovative ways to give back to its employees and to people around India. The lessons of corporate social responsibility that have been learned by Tata offer a useful template to other corporations in both the developing and developed world. —*Jodianna Ringel*

Bristol-Myers Squibb Secures the Future for AIDS Patients in Africa

Bristol-Myers Squibb's philosophy is that treating AIDS is a 24-hour-a-day, seven-day-a-week commitment.

In early 1999, at a time when treatment of AIDS patients was an option largely ignored in favor of prevention, the U.S. pharma company Bristol-Myers Squibb's corporate foundation responded to the urgent pleas for help by Secretary General Kofi Annan and launched Secure the Future, a program for both AIDS prevention and antiretroviral treatment in ten southern African countries.

At the time, this was the largest corporate philanthropy program for AIDS prevention and treatment in the world. Initially donating $115 million, the success of the program led the Bristol-Myers Squibb Foundation to expand funding to $150 million in early 2005. The aim was to develop partnerships between the public and private sectors to help the hardest hit populations. Rather than direct the program from company headquarters, Bristol-Myers hired local personnel and formed independent advisory groups. In addition, the active participation of ministries of health, AIDS patients, local medical and educational institutions, and local non-governmental organizations (NGOs) all became partners in project operations and funding. The Yale University Center for Interdisciplinary Research on AIDS was engaged to work with local evaluators to assess progress on the ground.

A Pediatric AIDS Corps doctor with a baby in Lesotho.

Charlotte Raymond, Bristol-Myers Squibb Company

"The [Bristol-Myers] grants run the gamut from drama groups that tour villages to promote HIV and sex education and awareness, to programs that offer economic opportunities and training for the grandmothers who have now become the caregivers for the millions of AIDS orphans in the region. Home-based care solutions have been developed [and] counseling programs funded," according to Secure the Future project reports.

In 2003, Bristol-Myers developed a number of community treatment sites. Working with the government of Botswana and Harvard University's AIDS Institute, Bristol-Myers helped build an HIV laboratory in the city of Gaborone. The lab conducts research on a certain strain of HIV that is widespread in southern and eastern Africa and India. Bristol-Myers also worked with Botswana to build Africa's first pediatric AIDS hospital in Gaborone, collaborating with the Baylor College of Medicine. "Baylor will provide up to 250 newly trained pediatricians as volunteers to this hospital and other clinics, enough to treat approximately 80,000 children," explains Baylor spokesman Dr. Mark Kline. For each year of service, volunteer physicians have $50,000 of their medical school loans forgiven by Baylor. Bristol-Myers covers their transportation, insurance, and living stipends.

The problem of children with AIDS has long been neglected. To address the problem, Bristol-Myers built the Children's Clinical Centers of Excellence in Botswana, the largest single treatment facility for HIV-infected children in the world, as well as Centers of Excellence in Lesotho and Swaziland. Two more are planned in Burkina Faso and Uganda. Bristol-Myers' philosophy is that treating AIDS is a 24-hour-a-day, seven-day-a-week commitment. It is not enough to simply treat a patient in a clinic without providing follow-up care and attention to daily needs once he returns home.

In order to truly secure the future for Africa's countries, Bristol-Myers anticipates the problems of five to ten years from now by building clinics and laboratories and fostering community support today.

And since local groups and institutions are fundamental partners in Bristol-Myers Squibb's fight against AIDS, they will be able to continue the work long after Bristol-Myers Squibb has left. —*Jeremiah Norris*

Micro-Insurance for the Poor: The Business of Fighting Poverty

Living off the land is a tough business in India, but Begum and her husband were managing. Their small holding produced enough money to keep a roof over their family's heads, provided both remained healthy enough to handle the day-to-day tasks. When Begum's husband died of injuries from an accident, the family would have faced financial ruin and starvation—were it not for his life insurance policy.

For 95 cents a year, Begum's family is part of the fortunate minority of 100,000 people in the state of Tamil Nadu who have taken out a life insurance policy with Bajaj Allianz, an Indian-German joint venture. Allianz, which is Europe's largest insurance company, the United Nations Development Fund (UNDP), and the German Technical Cooperation (GTZ), a German government-owned corporation, joined forces in 2001 to develop insurance protection against life's most fundamental risks for the inhabitants of poor rural areas in India. The UNDP and GTZ evaluated the need for micro-insurance—the protection of low-income people against specific perils—and identified local Indian NGOs as the most efficient insurance managers. As group policyholders, the NGOs can market the insurance, administer premiums, assess damages, and negotiate better rates than individuals could on their own. Most important, people trust them. Members of the NGOs were trained by Allianz in all aspects of the insurance business. Despite the initial expenses, Allianz's micro-insurance is already showing a small profit. And micro-insurance products allow Allianz to gain access to a potential mass market.

Newscom.com/Reuters Photo Archive

The size of this market is significant: Of the 4 billion people around the world who live on less than $2 a day, fewer than 10 million are insured— resulting in large part from the prevailing assumption that the poor are uninsurable. They are more likely to suffer from accidents, illness, or natural disasters than wealthier people, while unable to afford the higher-risk premiums. The emergence of a variety of institutions to provide life, disability, health, property, and even crop-failure insurance to the poor has proven this assumption wrong. Alongside private insurance companies like Allianz, healthcare providers, micro-finance institutions, NGOs, and local "mutual health insurers" —which allow neighbors to team up and tailor their own health coverage—have started building social safety nets through micro-insurance.

Mutual health insurers in particular have enjoyed astounding success. With national social security systems depleted due to rampant AIDS, mutual health plans are the rage in Africa, especially in the continent's west. Here, these plans have a significant presence in 11 countries, and membership has grown beyond 200,000 people. Some mutual health organizations include fewer than 100 beneficiaries. The tiny groups negotiate with local clinics and forge a better price for health care, often less than $1 per month. In other cases, dozens of community groups have linked to produce sophisticated plans that cover 10,000 or more people and offer a wide array of services.

In contrast to private insurance companies, these community insurance initiatives build on a poor-helping-the-poor philosophy: They are run by the beneficiaries, and are not intended to turn a single dollar in profit. There is a downside to this local approach—the extreme susceptibility to insolvency when an epidemic or other health catastrophe strikes the entire community. Larger insurance companies have less difficulty in pooling this risk because they can diversify geographically, by offering policies in not only one but many segments like property, disability, or crop failure, and by "reinsuring" the risk, i.e., by sharing insurance policies with other insurers to reduce the risk for each.

On the whole, micro-insurance has been a success. A study in the Philippines has shown that micro-health-insurance members go to the hospital 40 percent more often than comparable nonmembers, and that their compliance rates with treatment regimens reach almost 100 percent. This higher standard of medical care has led to a significant decline in the mortality rate among micro-insurance members in the last five years, and can be attributed to one of the prime benefits of micro-insurance plans for the poor—they no longer have to choose between food and healthcare. Studies by the World Health Organization have shown that, triggered by unexpected medical expenses that exceed the financial means of the uninsured poor, more than 100 million individuals are pushed into poverty every year.

> **One of the prime benefits of micro-insurance plans for the poor is that they no longer have to choose between food and health care.**

The number of micro-insurance plans and minimum-level insurance holders has doubled every year for the past ten years, according to Craig Churchill, microfinance expert at the International Labor Organization. Still, as the South East Asian tsunami of December 2004 demonstrated, the insured remain a tiny minority. But with more and more private insurance companies becoming aware of the profit potential of micro-insurance, and the proliferation of local community insurance initiatives, there is reason to hope that the poor will be aided by more than foreign charity when the next natural disaster strikes.

—*Christian Schuster*

A Cause that Keeps on Giving

Cause-related marketing (CRM) is a new trend that is going global as companies re-invent corporate philanthropy. Georgetown University and the Urban Institute define cause-related marketing as efforts that "focus on corporate-nonprofit alliances that have discernable short or intermediate term marketing objectives for corporate partners and which yield important payoffs to the nonprofit partner."

Cause-related marketing is managed by marketing and communications departments, not by corporate foundations. As such, the amounts going to developing countries are not well-captured in corporate giving data. A 2004 PowerPact survey of Fortune 500 manufacturers and national and regional retailers, however, found that 100 percent of these companies made donations through cause-related marketing, 95 percent of which had been doing so for at least five years. According to *The IEG Sponsorship Report*, a biweekly about marketing, sports, and arts, $1.6 billion was raised through cause-related marketing in the U.S. in 2004.

The idea of CRM dates back to 1982, when the chief of worldwide marketing for American Express agreed to donate 5 cents to the arts in San Francisco for every purchase made with an American Express card, and $2 for each new account. The venture raised $108,000 in three months. The success was not lost on American Express headquarters which adopted the approach the following year as a country-wide campaign to support the renovation of Ellis Island and the Statue of Liberty. "This program was also a great success with sales increases of 28 percent and a total of $1.7 million eventually donated to the renovation project. In subsequent years, American Express developed the Charge Against Hunger program with Share Our Strength as the principal beneficiary, generating $21 million in its first four years," explains Alan Andreasen, executive director of the Social Marketing Institute at Georgetown University.

The most common fundraising involves commitments by a business to donate a specific amount of profits to a nonprofit organization. Paul Newman's line of Newman's Own products even boasts "all profits for charity." According to Professor Andreasen, Newman's Own has donated $175 million in after-tax profits to approximately 1,000 charities in the United States and elsewhere since 1982. Internet technology combined with CRM has created new sources of funding for developing countries. With a $3 million start-up grant from the Gates Foundation, 11 non-profits started the One Campaign to Make Poverty History, which funds standard development projects for water, education, and health. The newly launched Product Red campaign to fight AIDS and the ninemillion.org campaign for refugees are other examples of corporate and public commitment to reducing global poverty through new partnerships.

Cause-related marketing is just one example of new approaches in corporate giving —making use of what the private sector does best, which is to produce and market goods and services, to create public commitment for solving global problems.

—Jeremiah Norris

Resisting Tuberculosis, in Multiple Ways

Viewed by many as a disease of the past, tuberculosis kills 2 million people a year—5,000 every day—mostly in the developing world. The disease is airborne, highly contagious, requires long and arduous treatment with antibiotics, and is deadly in most cases if left untreated. To make matters worse, interrupted or incomplete treatment often creates new strains of TB, known as multi-drug-resistant tuberculosis (MDR-TB), that are resistant to standard TB drugs, and spread just as easily from person to person as regular TB. There are only a handful of drugs that cure MDR-TB, and treatment is even longer and more complex than for TB.

A team of dedicated employees at U.S.-based pharmaceutical innovator Eli Lilly and Company have made fighting the spread of MDR-TB the center of their lives. In 2003, Lilly, which makes two MDR-TB antibiotics, launched a pioneering public-private initiative—the Lilly MDR-TB Partnership—to stem the quickly growing threat of MDR-TB around the world. Lilly has brought together 14 partners, including international humanitarian organizations, academic institutions, professional healthcare associations, and drug manufacturers in at-risk countries. Hudson Institute global health experts have assisted the MDR-TB Partnership as well.

Doctor in Tomsk, Russia, trained by Partners in Health.

The $120 million Lilly MDR-TB Partnership is a comprehensive, multi-pronged program. Partners include the International Council of Nurses, the World Medical Association, and the International Hospital Federation, which have designed and conducted TB and MDR-TB training for doctors, nurses, and hospital managers around the world. Partners in Health and the Harvard Medical School have trained doctors and nurses in MDR-TB detection and control in Russia, where the U.S. Centers for Disease Control has developed an electronic MDR-TB laboratory monitoring system.

There is often a heavy stigma associated with TB. Fear of being shunned in the workplace, community, and even by their own families keeps many from seeking diagnosis in the first place. Lilly support has helped the World Economic Forum and the Red Cross counter this stigma through public-awareness campaigns in India, Romania, and Kazakhstan, and U.K.-based TB Alert works as an advocacy group for TB patients. In order to increase the drug supply where it is needed most, four pharmaceutical companies in the highest-burden MDR-TB countries—China, India, South Africa, and Russia—have received drug-manufacturing technology and expertise from Lilly with assistance from Purdue University, and have begun to produce Lilly's MDR-TB drugs on their own. Lilly endorses the Stop TB Partnership and supplies its two antibiotics to the World Health Organization at heavily discounted prices for distribution to MDR-TB programs in 41 countries around the world.

On World TB Day 2006, Nobel Peace Laureate Archbishop Desmond Tutu declared the Lilly MDR-TB Partnership an "excellent example of coordinated action against the disease." Patrizia Carlevaro, head of Lilly's International Aid Unit in Geneva, and leader of the MDR-TB Partnership, is proud of the partners' hard work, dedication, and achievements—but what she really wants to know is, "What can we do better?"

—Karina Rollins

Mindanao Shows Love for AMORE

The U.S. Agency for International Development's Global Development Alliance (GDA) has collaborated with businesses and non-governmental organizations for the past five years to provide energy to rural areas throughout Brazil, India, Central America, Indonesia, Mexico, South Africa, Nepal, and the Philippines. One of the successful initiatives of these partnerships has been the Alliance for Mindanao Off-Grid Renewable Energy (AMORE) in the Philippines.

For the first time, nearly 7,000 households in 227 villages rang in the New Year with a light source other than candles.

Since 2002, the GDA, the Filipino department of energy, the Mirant Corporation—a private U.S. energy company—and Winrock International, an NGO specializing in renewable energy, have been working together to build a network of energy sources on Mindanao, 200 miles from the mainland. Mindanao has its own power grid, which does not yet reach all areas of the island.

For three decades, the southern region of Mindanao has sought independence from its central and northern neighbors, and the resulting civil strife and violence have displaced many families in a region where 60 percent of the population lives below the poverty line. AMORE will provide the "Autonomous Region in Muslim Mindanao" with solar-powered fluorescent lights and street lamps, which will make the outdoors safer after dark, and will allow work and study to continue in the evening hours.

In 2007, nearly 7,000 households in 227 villages rang in the New Year for the first time with a light source other than candles. They were the beneficiaries of solar energy systems devised to fit the needs of each individual village. AMORE employs photovoltaic power systems in the most impoverished *barangays*, or rural villages, of Mindanao. Significant funding has come from the Mirant Corporation, whose Filipino affiliate has contributed $4 million to AMORE. A $2 million dollar donation from Mirant in October 2006 allowed AMORE to purchase the machinery for solar panels for 150 *barangays*.

The GDA has relied on Winrock International to oversee the management of this equipment. Winrock helps solar-energy recipients form groups—Barangay Renewable Energy and Community Development Associations (BRECDAs)—to care for their solar panels, manage their maintenance funds, and expand services to other families in their *barangay*. Winrock will eventually transfer complete ownership of the systems to these BRECDAs, of which there are 273 so far.

Though the solar panels are subsidized by the Filipino government, Mindanaons pay for their upkeep by depositing five pesos per day into a receptacle attached to their own solar panel system—far more cost-effective than a five-peso candle that lasts just a few hours. The Mindanaons' personal involvement and investment has been essential to the longevity and success of the project.

Electricity has had a profound impact on all aspects of daily life in Mindanao. Farmers can prepare their crops for market at night instead of wasting precious daylight to do so. They can now deliver their goods to the local market at dawn and increase their rate of production and profits. School children no longer have to endure the noxious fumes and poor lighting of kerosene lamps to do their homework.

In an unanticipated outcome, AMORE has reduced social violence on Mindanao. Mohamad Mambatawan, former leader of a separatist militant group, has left behind his violent pursuit of secession by the Muslims of Mindanao from the Christian population. Now, he serves as chairman of the BRECDA in the village of Chua and promotes Christian-Muslim understanding.

While AMORE sought to improve economic conditions in poor villages on Mindanao, the economic progress may have also improved civil conditions on the island. Many who previously joined violent factions are now looking for more peaceful alternatives to social development. The Mirant Corporation and Winrock International have given these remote villages the opportunity to work together across cultural lines to achieve mutual goals. —*Tres Thomas*

PVOs and Volunteerism:
Global Mission, Local Action

Private and voluntary organizations (PVOs) work to turn the ideals of philanthropy into reality by searching for hands-on, local solutions to challenges around the world. PVOs are often small in size, but focused in vision. They lay the groundwork for lasting improvements by giving communities and individuals practical, direct assistance—from providing clean water, transportation, or books for communities and schools, to raising money for one person's surgery—which helps create and sustain economic development, educational opportunities, and access to health care.

The success stories that follow illustrate some of the range, vision, and results of PVOs around the globe—all of which are made possible due to the time, energy, expertise, and financial support volunteered so freely by people around the world.

Help on Wheels

California native Randy Mamola had accumulated enough personal wealth as a Grand Prix motor-racing star to pursue another of his life's goals: a children's charity. Mamola, his public relations manager Andrea Coleman, and her husband Barry, a motor-racing correspondent for the U.K.'s *Guardian* newspaper, decided to get in touch with Save the Children, a well-known private international charity.

In 1986, Save the Children flew Mamola and the Colemans to Somalia to see first-hand the poor health services of people living in remote villages. They witnessed pregnant women in labor being carted to hospitals in wheelbarrows. They also noticed junkyards littered with vehicles that required only minor repairs to be road-worthy again. "At the back of the hospital compound," says Barry Coleman, "stood an almost-new $30,000 Land Cruiser, grounded forever for want of a $3 part. It wasn't the only such case in Africa and it may help to explain why, for all the more-or-less total lack of achievement in Africa, the U.N. spends $200 million a year on new vehicles."

Over the next few years, Randy, Andrea, and Barry raised money within the racing community to begin training people in Uganda, Gambia, and Lesotho in the basics of car maintenance and driving techniques. After being handed responsibility for a fleet of broken vehicles from the government of Lesotho, the Colemans and Mamola oversaw the refurbishment of 47 cars and small trucks that were then used for medical transport services from 1991 to 1996 without a single breakdown. This success led the Mamola-Coleman team to register Riders for Health as an official charity, in order to provide such transportation to people living in rural parts of Africa.

Riders for Health started its first large-scale national program with Zimbabwe's Ministry of Health and Child Welfare in 1994. In addition to state funding from Zimbabwe, Riders continued raising money from charitable trusts, corporations, and motorcycle charity events like the annual Day of Champions in Leicestershire, England, which allows donors to go on motorcycle rides with racing stars.

Riders used the opportunity in Zimbabwe to craft one of its innovative transport systems known as Transport Resource Management (TRM). TRM employs locally trained mechanics to go where Riders vehicles are in operation and perform regular maintenance. These mechanics teach the drivers to perform daily checkups in order to minimize the chance of breakdowns until the next scheduled audit with a technician.

In Zimbabwe, Riders for Health has trained a 16-member team, consisting entirely of locals, to deliver health care services and take patients to the hospital throughout Binga, one of the poorest areas in the country. The team consists of mobile health care workers who are responsible for monitoring community hygiene conditions. Since most of these villages are located in areas with few, if any, roads, Riders for Health developed a special motorbike, the Uhuru, to battle all types of off-road terrain. The Uhuru is used to deliver medical supplies and also serves as an ambulance for those without transportation.

A patient transported by an Uhuru.

An AIDS patient from the Makoni district explains how the Uhuru made life easier for him and his family: "Before the Uhuru it used to be a nightmare to get to the hospital. My family had to go and hire a vehicle to pick me up from home and transport me to the hospital…" The Uhuru has allowed the team to deliver substantive aid against preventable diseases, and a 2003 study conducted by Riders and local public health officials in Zimbabwe showed a 20 percent decrease in new malaria cases in Binga, while Binga's neighboring districts still suffer from increasing rates of infection.

Riders for Health has proven as successful in Gambia as in Zimbabwe. The Gambian government transferred complete control of its vehicles to Riders in January 2002. Riders turned a fleet where only 40 percent of the vehicles were roadworthy into a transportation system with minimal breakdowns.

The partnership between Riders and the Gambian government helped Riders to coordinate public health events such as the Meningitis Campaign in July 2002, and the National Immunization Day in October 2003. Public awareness campaigns are a necessity for community understanding of health issues in Gambia, a country now able to fully immunize 73 percent of newborns.

Riders for Health now operates 1,200 vehicles in Lesotho, Zimbabwe, Gambia, Ghana, and Nigeria, providing reliable transportation for 900 nurses in rural areas. The accomplishments of Riders for Health illustrate the power of entrepreneurial solutions combined with private philanthropy to improve health care in Africa. Most important, the innovative TRM system has created jobs and is contributing to economic growth in five African countries.

—*Tres Thomas*

Creating Ripples of Hope

Each time a man stands up for an ideal…he sends forth a tiny ripple of hope, and crossing each other from a million different centers of energy those ripples build a current which can sweep down the mightiest walls of resistance.

—Robert F. Kennedy

There are about one million charitable organizations in the U.S. that spend less than $25,000 per year. Collectively, though, the individual ripples from small nonprofits are a gigantic force for worthy causes. These tiny "centers of energy" usually go unreported.

Former Peace Corps volunteers have been establishing small charitable organizations since the 1980s, usually called "Friends of" Thailand, Ecuador, Ethiopia, etc. There are almost as many "Friends" as there are countries in which Corps volunteers once served.

One such group is the Friends of Colombia (FOC), based in Washington, D.C. Since 1961, when President John F. Kennedy established the Peace Corps, more than 180,000 American volunteers have served in seventy countries. Colombia was the second country to receive volunteers, after Ghana, in the first year of the Corps. From 1961 to 1982—after which Colombia no longer requested assistance—4,621 Peace Corps volunteers lived and worked in this country for at least two years.

In its 21 years of existence, FOC's yearly donations ranged from around $5,000 to $9,000, and exceeded $25,000 only once—when Colombia suffered a devastating earthquake that killed 30,000 people and FOC raised $38,000 for relief efforts.

Friends of Colombia works with two foundations: The Virginia-based Magdalena Foundation, founded in 1995, provides scholarships to 25 poor but meritorious students in the Santa Marta region of Colombia. The students are chosen through collaboration with a local foundation, which manages the U.S.-raised funds and provides oversight for their use. The second foundation, The Colombia Project in Florida, has provided $34,000 in loans since 2000 to help one hundred families in Colombia start small businesses.

FOC publishes a regular newsletter alerting members to projects worthy of their financial donations. In 2003, FOC president Arleen Cheston was visiting a Magdalena Foundation school in Santa Marta. She noticed a boy standing off by himself, away from his schoolmates. She learned that, in an accident, a tree branch had pushed his right eye back into its socket, blinding him in that eye and disfiguring him. His family was too poor to afford medical care or cosmetic improvements.

Under the motto "Let's Change One Life at A Time," the FOC publicized its new "Julio Fund" in the newsletter to raise $1,300 for an eye prosthetic, as well as for air travel, surgery, and the hospital stay. With the funds raised, Julio arrived in Cali, one of Colombia's major cities, in early 2005 for the surgery. Then came the ripples. Colombian airline Air Avianca provided a complementary ticket for Julio, and when the operating surgeons learned that former Peace Corps volunteers had raised the money for Julio's operation, they donated their time and skills, and the hospital charged him nothing for his stay. Sadly, Julio learned from the surgeons that, had he had access to proper medical care at the time of the accident, his eye could have been saved. But the surgery and fitting of an artificial eye were a complete success, letting Julio look like a normal young man again. The girls at school now call him *nuestro hombre biónico*—"our bionic man."

The Friends of Colombia and the millions of small charities throughout the world are changing our world, one life at a time. *—Jeremiah Norris*

When the surgeons learned that former Peace Corps volunteers had raised the money for Julio's operation, they donated their time, and the hospital charged him nothing.

Books of Their Own

While trekking through the mountainous Annapurna region of Nepal in 1999, John Wood met a state "educational resource officer," Pasupathi, who was in charge of finding educational materials for 17 schools in the area. The officer explained to Wood, a top-level Microsoft executive in business development for the greater China region, that there were many smart children in Annapurna who were eager to learn, but that schools lacked the supplies to teach them. Wood went to one such school the next morning with Pasupathi—a one-room shack with a leaky roof and no desks. The handful of books were locked in cabinets, for fear of the children damaging them. "Perhaps, sir, you will someday come back with books," said Pasupathi.

Wood quit his job at Microsoft in late 1999. In his memoir, *Leaving Microsoft to Change the World*, Wood described his inspiration to walk away from the corporate lifestyle: "Did it really matter how many copies of Windows we sold in Taiwan this month when there were millions of children without access to books?"

John Wood's new career as head of a charity began that same year when he set up Room to Read in San Francisco. The mission: to build schools in developing countries and supply them with desks and books. In Nepal, Wood financed the construction of the first school in Ngadi, and the first library in Bahundanda by cashing in 125 shares of his coveted Microsoft stock. To keep money flowing, Wood and his assistant Erin Ganju held fundraising events in Seattle, Chicago, and New York. The most critical investment came in Room's second year. Bill Draper and Robin Richard Donohoe, co-founders of the wealthy venture capital group the Draper Richards Foundation, gave Room to Read $300,000 to build schools and libraries with computer labs in Nepal.

Working at Microsoft, John Wood had learned that when operating a business, one had to "think big." Over the next few years, Room to Read expanded to Vietnam, Laos, Cambodia, India, Sri Lanka, and South Africa. Every country has distinct social customs and its own list of educational challenges, so each Room to Read program is managed by locals.

Room to Read does not seek out sites for future schools on its own—the communities themselves must apply for them. Once a village's application is approved, the community must help pay for the school. A village must contribute half of the resources—land, materials, or labor—for the construction, creating a sense of ownership, which fosters a commitment to the school or library.

John Wood greeted by Cambodian students at the opening of Room to Read's 1,000th reading room.

Jason Coates

Once the schools and libraries are built, many still lack elementary reading books in the local languages. Room to Read has teamed up with local writers and illustrators in each country to write books in their regional language. To date, there have been 147 local language publications, and nearly one and a half million local language books have been distributed to elementary school students.

Since 2000, Room to Read has built 287 schools, more than 3,600 libraries, and 117 computer and language labs in seven countries. The non-profit has also paid for the education of more than 2,300 girls in the Room to Grow Girls' Scholarship program, and distributed nearly one and a half million books in English. Room's close relationship with the communities has been a key factor in its success.

John Wood considers partners like Scholastic Publishing—which donated 25,000 books during Room's infancy—"investors," not "donors," because he plans to deliver a return on investment to each sponsor. These returns come in the form of regular detailed updates describing the positive changes that their investments have made possible. "Investors" are also able to dedicate their funds to a specific project. Twenty-seven thousand dollars will get you a school in Vietnam, complete with a plaque featuring whichever name you choose. Twelve thousand dollars will pay for the publication of a local-language book with a print-run of 10,000 copies and a personal dedication. For $2,500, an investor can fund ten years of education for a girl in Room to Grow. No matter the size of the investment, the sponsor is assured of results because Room to Read staff monitor all programs diligently.

John Wood used the corporate savvy that made him successful at Microsoft to bring education to people in the developing world. He minimizes Room to Read's overhead costs by relying heavily on volunteers, be they bankers or burger cooks, to chip in whatever time they have to help with fundraising events. He put responsibility on local communities to insure a longterm commitment. With Room to Read, Wood demonstrated that when switching to philanthropy, you don't have to forsake the practices of the business world. Instead, you embrace them. —*Tres Thomas*

From Rugs to Riches: How Fair Trade Matters

In Mokattam Garbage Village on the outskirts of Cairo, thousands of Egyptians survive by collecting, sorting, and recycling the tons of trash that the city's millions of inhabitants toss out every day. The living conditions are deplorable, and the residents hold no hope for betterment: Parents send their children on the garbage route at an early age. The only education they ever receive is how to recycle trash.

In 1988, the Association for the Protection of the Environment (APE), a local NGO, dedicated itself to bringing hope to some of these children. The organization recruits young illiterate women and spends two and a half years teaching them how to weave and sew rag rugs, patchwork quilts, bedspreads, and other marketable items. APE combines these income-generating activities with education in home economics, health care, family planning, math, and literacy. Now supported by UNESCO, the program enrolls more than 250 women and boasts more than a thousand graduates.

Many of their handicrafts are exported through Ten Thousand Villages, America's oldest and largest fair trade organization. Ten Thousand Villages supports the work of these and thousands of other crafts workers in more than thirty developing countries by selling their products in 160 retail stores across America. "Fair trade" ensures that producers from developing countries earn a greater portion of the final product value by reducing intermediary transactions and through a higher, "fair" consumer price. As a market-responsive form of trade, fair trade products can sell at a higher price only because consumers are willing to pay for them. Fair trade also seeks to address market inefficiencies in developing countries: many small producers lack access to markets, information on price negotiation, access to credit, and the ability to switch to other sources of income in the event of a price drop for their products.

"Fair trade" ensures that producers from developing countries earn higher wages.

So-called Third World stores like Ten Thousand Villages sold fair trade products with a global retail value of over $170 million in 2005. More important, fair trade has gone mainstream, expanding to commercial supermarkets, with global sales reaching $1.38 billion in 2005. With major European retailers like the Co-op supermarket chain starting to feature entire product lines from fair trade suppliers, the market impact of fair trade products is impressive: In Switzerland, fair trade bananas account for 49 percent of all banana sales, and in the U.K., fair trade coffee has reached a market share of over 20 percent. A major basis for this expansion was the 1997 creation of an international umbrella group, Fairtrade Labelling Organizations International (FLO), which defines the criteria for each product certified under the fair trade system. The certifications allow consumers to identify goods that meet FLO-approved fair trade standards.

Selling their products through fair trade channels makes a huge, quantifiable difference to producers. Take the world market price for conventional coffee, which plummeted in the 1990s and hovers between $0.5 and $1 per pound today. Unfavorable terms of trade with intermediaries put further pressure on prices and force many small coffee farmers to accept prices that lie below their own production costs. The resulting cycle of debt and poverty confronts many of these farmers with extreme poverty. Fair trade practices set a minimum "floor price" for coffee at $1.26 per pound to ensure that production costs are covered. Whenever the world market price exceeds this price, the fair trade price rises in step with its free trade counterpart.

Newscom.com/MCT

In addition to this price guarantee, producers receive a separate "social premium" designated for social and economic development in their communities. The producers themselves decide collectively and democratically in cooperatives how these funds are spent. In the Mexican state of Oaxaca, the Union of Indigenous Communities of the Isthmus Region (UCIRI), a cooperative of more than 5,000 families, has helped create the area's only public bus line and only secondary school. It has also constructed a community health clinic and financed the training of its nurses and dentists. By providing hardware and farm supply centers as well as affordable credit, UCIRI enables its members to buy modern agricultural equipment that raises both productivity and income.

Fair trade cooperatives like UCIRI have benefited more than 5 million people in more than fifty developing countries. Precise quantifications of these benefits are extremely difficult, of course, as they often overlap with activities of development agencies in the same regions. Nevertheless, fair trade seems to have the potential to create a much more direct impact in these regions than does government aid, since it guarantees that a specific amount of money reaches the producer. Studies in Latin America have shown that fair trade coffee farmers have quadrupled their income since joining fair trade cooperatives in the 1990s. This increase in income was not only a result of the higher price. The technical expertise and market information provided by fair trade networks also allowed farmers to negotiate better prices even for the coffee they sell through conventional channels. A study in Kenya found a direct correlation between fair trade and higher literacy rates, higher dietary quality, reduced infant mortality, and higher crop diversification.

With fair trade sales having grown above 20 percent annually for the past 15 years, and with new products in line for certification each year, more and more supermarket chains are trying to position themselves as socially responsible corporate citizens. Fair trade is likely to transition from a niche market to a mass market that improves the lives of millions in the developing world.

The potential for such an expansion remains enormous: Fair trade accounts for not even 0.1 percent of all $ 3.6trillion globally exchanged goods. But it has already shown promise for some otherwise forgotten people in Mokattam Garbage Village.

—Christian Schuster

Hauling Water? Child's Play

In villages across South Africa, some 5 million people have no clean water. "Every day I have to cross a river of sewage to see my patients who are too sick to leave their beds," says Sinah Matlou, who volunteers as a nurse in a poor settlement about 19 miles outside Johannesburg. "I've often brought them just enough drinking water from the PlayPump so that they can at least stay hydrated or swallow their medicine."

A PlayPump at work.

Frimmel Smith

The PlayPump, a truly innovative water-pumping device that exists thanks to retired advertising executive Trevor Field, is a water pump attached to a children's merry-go-round and provides clean drinking water for families, schools, and communities. As children play on the merry-go-round and make it turn, water is pumped into an above-ground storage tank where the water is accessible through a tap. Putting his advertising experience to use, Field determined that two sides of the tank be leased for commercial billboards, which pays for pump maintenance for ten years. The other two sides are leased to governments, NGOs, and private donors for messages that tout the importance of hand washing, using bed nets against mosquitoes, or getting tested for AIDS.

Field co-founded the not-for-profit PlayPumps International in 2004. In 2006, First Lady Laura Bush and former President Bill Clinton announced a $16.4 million grant for PlayPumps—with funds coming from the U.S. government, the Case Foundation, and the MCJ Foundation. Today, 736 pumps supply clean water for nearly 2 million people in South Africa. One pump costs $14,000, which covers full installation and includes the tank, and provides water for 2,500 people. The manufacturer of PlayPumps, Roundabout Outdoor, is busy installing more pumps in South Africa, as well as expanding to Malawi, Mozambique, Swaziland, and Zambia. The goal is to install 4,000 water pumps in ten African countries by 2010.

Water-related diseases are a leading cause of death in the developing world, and the pumps will help provide access to clean drinking water for the two out of every five Africans who lack it. The pumps also save enormous time and effort. Deemed a woman's job, women and girls spend hours a day struggling with the regular pumps and hauling back the heavy loads. "The amount of time these women are burning up collecting water," Field recognized, "they could be at home looking after their kids, teaching their kids, being loving mothers."

—Frances Simonds

Universities and Colleges: New and Better Worlds

Many facets of university and college education reflect the aspirations and idealism of young people around the world, the dedication of professors to share knowledge, and the commitment of institutions of higher education to individual and social improvement. In the U.S., many universities offer generous financial support to students worldwide, including from the developing world, often through privately funded scholarships and stipends. More than 40 percent of foreign doctoral candidates at American universities come from developing countries. Educational programs can often start with just one student studying abroad, growing to have profound and widespread impact on the lives of others, be it a group of children, a family or an entire nation.

The individual students and academic programs described in the pieces that follow reflect creative synergies of private and public support, as well as individual vision and commitment.

The Mount Kenya Academy: Strings Attached

"The children have a new sense of confidence through the novelty of playing string instruments, a rare youth activity in East Africa," says Gillian Clements, of the young violin students she teaches as a volunteer at Mount Kenya Academy in Nyeri, Kenya, while earning her doctoral degree in music education from Boston University. "They're also given the opportunity to compete successfully, further bolstering their self-image," she adds.

Throughout Gillian's musical training, she has shared her passion and knowledge with others. When she began playing the violin at age six in Chapel Hill, North Carolina, she played for her peers, and through music, was instilled with the self-confidence she now inspires in her students. In college, studying for her masters degree in violin at Rice University in Houston, Texas, Gillian and a fellow musician started a program called "String Fling," teaching Houston children to play string instruments, including the violin, viola, and cello, culminating in a recital at a local school.

As Gillian embarked on her doctoral studies in music, she wanted to continue to bring music and self-confidence into the lives of children. When she met Scott Hawkins through her uncle, that desire began to materialize. Hawkins, whose daughter's school in Atlanta has had a sister-school relationship with Mount Kenya Academy since the early 1980s, has been actively involved in fundraising for the Academy since his daughter's class trip to the school, nestled in the foothills of Mount Kenya near the equator. The Academy was started by renowned African educator, Charity Mwanda, and an American couple, the Whitfields, living in Nyeri, who founded the elementary school in 1982 as an alternative to the crowded public schools in Kenya.

The high school, which opened in 2004 thanks to private fundraising by Hawkins, features a fully equipped athletic program and girl- and boyscout programs. Though academic achievement is important—the two hundred high schoolers underwent a rigor-


Mount Kenya Academy

Gillian Clements with some of her young students at Mount Kenya Academy.

ous application process—"the main goal of the high school is to develop and teach the whole child, in body, spirit, as well as mind," says Hawkins. "In East Africa, schools generally are focused only on teaching academics, but it's important to the leaders of the Academy to provide a variety of learning opportunities for our students."

Enter Gillian. While writing her Boston University doctoral dissertation on the Mount Kenya Academy, she began a strings program at the Academy, teaching 85 children ages six to 19 in August 2006. Scott Hawkins saw to it that 37 violins, violas, and cellos were donated to the Academy, which now has more cellos than the Kenyan National Orchestra.

To ensure that the program lasts, Gillian is recruiting other music teachers in the U.S., as well as in Africa, to teach at the Academy. And, after receiving her doctoral degree from Boston University, she just might return to Mount Kenya for good. —*Samantha Grayson*

Cross-Border Education, Cross-Border Benefits

"We live in a globally competitive environment where cross-education benefits all," declares Peter McPherson, president of the National Association of State Universities and Land-Grant Colleges. When students from the developing world are given the opportunity to study in developed countries, the benefits extend to the students' home countries when they put their education to use upon their return. U.S. colleges and universities are a major source of funds for international students, according to the Institute of International Education. The U.S. Agency for International Development views educational programs as an important form of support to developing nations.

In 1956, the University of Chicago signed an agreement with the Universidad Católica in Santiago, Chile. The partnership, funded by the Ford and Rockefeller Foundations, USAID, and the Organization of American States, engaged Chicago professors—including Nobel-prize-winning economist Milton Friedman—to teach in Santiago, as well as scholarships for Chilean students to come to Chicago.

In 1973, the "Chicago Boys," a group of Chilean economics graduates, with degrees either from Chicago or the Universidad Católica, were approached by their government in search of qualified managers of the state's new inflation-controlling, privatization-oriented economic policy. That year, inflation in Chile had topped 600 percent, and the Chicago Boys were given their first opportunity to apply lessons from the classroom to practical life. Inspired by the Chicago free-market and free-trade approach, the Chicago Boys wanted to decentralize economic and political power in the country. Between 1975 and 1983, the Chicago Boys held positions as ministers of finance, economy, labor and pensions, and planning, and as budget director and advisor to Chile's Central Bank. In the U.S., the best-known Chicago Boy is José Piñera, Chilean minister of labor and pensions from 1978 to 1980, who is now a senior fellow at the free-market Cato Institute.

While debate continues about how quickly trade liberalization and privatization can stabilize economies, there was clear improvement in Chile. In 1974 alone, inflation dropped by 200 percent, economic output expanded, the trade deficit disappeared, and Chile's gross domestic product grew by 1 percent, reviving it from the nearly 6 percent loss the year before, making the Chilean economy the strongest in South America today. The economic revival was not perfect, with a high unemployment rate and deep recession in the early '80s, which caused the exit of the Chicago Boys from the Chilean government. But their belief that economic freedom would lead to political freedom, was realized in the return of a democratic Chilean government in 1990.

Most tellingly, this new government preserved the framework of the free-market system, propelled by private initiative, that the Chicago Boys had championed. Between 1987 and 1992, Chile's economy grew by more than 26 percent. And people around the world, including in the U.S., believe that Chile's famed privatized social security system is the model to emulate.

Another group of Chilean graduate students took advantage of a Ford Foundation-funded program with the University of California at Davis' agricultural department that, from 1965 to 1973, allowed California professors to teach at universities in Chile, and sent top Chilean graduate students to California campuses to learn about the latest agricultural technology, fruit and wine quality, fish farming, and even pollution clean-up.

The students, the "Davis Boys," returned to Chile with expertise on proper crop selection and care, and are credited with revolutionizing agriculture in Chile and turning the country into one of the world's leading exporters of fresh fruit in the 1970s. Fresh fruit is still one of Chile's largest exports to the U.S. According to the Export Council for Energy Efficiency, Chile's strong economy helped pave the way for Chile's being the first South American country invited to join NAFTA. —*Shannon Irey*

In 1973, the Chicago Boys were given their first opportunity to apply lessons from the classroom to practical life.

Global Understanding, One Student at a Time

Established by the U.S. government in 1946 to promote international reconciliation after World War II, the Fulbright Educational Exchange Program is a public-private partnership to "increase mutual understanding between the people of the United States and the people of other countries." The program has since provided more than a quarter million grants for graduate students—roughly 60 percent for foreign students coming to the U.S., and 40 percent for American students studying abroad. The program operates in more than 155 countries.

While most of the funding comes from the American government, 37 other countries also provide support, as does the private sector, including foundations and businesses. American and foreign universities provide substantial support for tuition, housing, and other benefits. Fulbright alumni are also generous contributors. The program is largely administered by the Institute of International Education (IIE), a private organization whose trustees have established the privately funded Fulbright Legacy Fund to extend the program's impact by providing grants to "Fulbrighters" who return to their home countries to help improve their societies and foster a lasting relationship between their homes and former host nations. In 2005, IIE chairman Thomas Johnson made a gift of $1 million to the Legacy Fund, which now amounts to a total of $5 million.

The Fulbright program receives generous and active support from the corporate world. The Japan program has benefited from gifts from Canon, Honda, J.P. Morgan, Cargill Japan, and the American Chamber of Commerce. The U.K. program established an award for young British designers to study in the U.S., funded in part by Calvin Klein.

Mohammed Alghenaimi of Oman is a good example of the Fulbright approach. Mohammed is a Fulbrighter working on his masters degree in nursing at Ohio University. He learned of the program through a friend in Oman, who suggested that he visit the U.S. embassy there to learn more about scholarship opportunities. With the help of the embassy academic advisor, Mohammed navigated the Fulbright application process, including required English and GRE exams.

In addition to receiving the prestigious Fulbright award for a monthly stipend to cover living expenses and to purchase books and school supplies, Mohammed received a full academic scholarship from Ohio University for tuition. With his advanced training, Mohammed could find a job in the U.S., but he plans to return home to Oman, a country in urgent need of skilled nurses, where he believes he can have a direct impact on his country's future. —*Judith Siegel*

Religious Organizations: Doing Good and Doing It Well

One of the big motivators for helping others is faith. Organized religion has long been at the forefront of delivering aid during humanitarian and natural disasters, as well as working to alleviate the conditions of persistent poverty, from running orphanages and schools in the developing world to funding hospitals and clinics. More and more, religious groups are also focusing on the causes of poverty, not just on temporary relief of its symptoms.

Religious giving means much more than dropping dollar bills in the collection box after services. It involves continued dedication of time and energy, and at times, great sacrifice—forfeiting an easier life for oneself so that others may live better. The following examples of service to others, inspiring and humbling, show what compassion can accomplish.

The Little Churches that Could

Dr. Andrew Simone, a Harvard-trained dermatologist in Toronto, Canada, took a vow of poverty more than thirty years ago. With the encouragement of Mother Teresa, whom he met on one of her visits to Toronto, he and his wife Joan sold or gave away all their possessions except their home in 1976, and created the Canadian Food for Children charity. In addition to managing the charity, and continuing Andrew's medical practice, the couple raised 13 children and 27 foster children.

On an almost daily basis, Canadian Food for Children ships multiple 40-foot sea containers filled with food, clothes, medicines, and toys to one of 28 developing countries. In 2005, they shipped out 450 containers—roughly $12 million worth of goods. The shipping costs ran around $1.3 million, and the rent for the warehouse where the products are stored and processed was $75,000. Dr. Simone visits recipient countries like Honduras, El Salvador, and Guatemala several times a year, allowing him to meet families living on the edge of society, whose children feel so locked in by the unwavering poverty that they can imagine no future for themselves. On these visits, Simone usually brings antibiotics and other medicines, which are both sorely needed and appreciated. He also makes cash gifts to families in urgent need.

The spiritual and practical glue that holds all this together comes from the many churches in the area that provide volunteers, money, and in-kind donations. Church members raise funds and goods—among themselves, as well as among non-members who have heard of the project, including a Toronto mosque that contributes regularly. They collect food, medicine, and clothing from donors around the city, then pack and load the containers. The volunteers, many of whom are students who are bussed to the warehouse, are learning about the value of helping the poor. Together with adults, there are about thirty volunteers at the warehouse per day, each working for six hours. The warehouse operates 250 days a year. Dr. Simone estimates conservatively that these volunteers contribute 45,000 hours of labor each year, eliminating labor costs.

Two of Dr. Simone's church helpers are former Peace Corps Volunteers who now live and work in Toronto. Cathy Swenson was a volunteer in Peru, and her husband Jack served in Colombia. Both have proven that giving of oneself is a lifetime commitment.

In 2002, in recognition of the contributions that Canadian Food for Children has provided to the developing world, Dr. Simone was awarded the Order of Canada, the highest honor that the government can bestow on its citizens. —*Jeremiah Norris*

TEAR Australia

Speak up for those who cannot speak for themselves…defend the rights of the poor and needy.
—Proverbs 31:8

For the same price as a pair of socks, TEAR will test a family's water supply for arsenic, which occurs naturally in this region and can contaminate wells.

Religious organizations have long sought to help the needy, both in their own communities and around the world. While their intentions have always been good, using funds effectively is a challenge for everyone in development work.

That is why TEAR Australia, an organization of Christians "responding to the needs of poor communities around the world," seeks to streamline the giving and disbursement of donations, to allow these funds to have a greater effect on communities throughout the developing world. Rather than spending precious resources on overhead costs associated with setting up their own projects, TEAR Australia identifies and supports established local partners that have a proven record of effective and efficient relief and development work. Priority is given to those projects that "strive to involve the most marginalized and exploited members of each community, regardless of their religious or political beliefs." Founded in 1971, TEAR (Transformation Empowerment Advocacy Relief) now supports the development and relief work of 94 partner organizations in 25 countries.

While these organizations get high marks for effectiveness, the most innovative part of TEAR's program is its fundraising. "Excuse me! Would you like to save a child today?" Anyone living in a city instantly recognizes the approach of a well-meaning but pushy volunteer, trying to solicit donations as people hurry to work. At a time when countless organizations are competing for our attention and money, TEAR Australia has come up with an innovative technique that is lucrative and allows donors to feel they are having an impact on someone's life, without high-pressure approaches.

At churches around Australia, TEAR volunteers sell gifts from "Arguably the World's Most Useful Gift Catalogue." Based on the notion that people are sick of buying mundane gifts for friends and relatives who already have more than enough, TEAR's catalogue offers items that support poor communities. Ranging from a mosquito net for someone in Burma, to building an entire school in Zambia, the catalogue covers every price range. For the same price as a pair of socks, a TEAR partner organization in Bangladesh will test a family's water supply for arsenic, which occurs naturally in that region and can contaminate wells.

Money that could be spent on another tie can instead pay for the training of a community health worker or birth attendant in one of six developing countries. When given such an easy way to make a concrete difference in someone's life, TEAR has found that many people choose to forgo the socks and tie in favor of giving something truly worthwhile. Customers simply buy a gift in someone's name from TEAR, and that person receives a card in the mail informing him which gift has been purchased on his behalf.

The Saahasee Society for Community Empowerment and Urban Transformation, an organization that establishes women's self-help groups in India, is one of TEAR's partners. Using funds from a gift purchased through the TEAR catalogue, Saahasee was able to cover the start-up cost of a new women's group in the slums of Thane near Mumbai. Most of the residents are migrants from surrounding villages, forced into the cities by extreme poverty. Among the most marginalized members of the community, women are given the opportunity to take control of their lives through the group's financial and health-related activities and encouragement. While every group is different and sets its own goals, most self-help groups choose to learn reading and math skills, basic health and family planning, or income-generation techniques.

Many also focus on saving money through a system whereby each member contributes a small monthly amount that is invested by the group as a whole or used for micro-loans to individual members. Loans provide women with the means to start businesses, educate their children, or afford health care. Four times a year, TEAR publishes *Target*, a periodical in which those who purchase and receive items from the catalogue can see the direct results of their work, such as the women's self-help groups in the slums of Mumbai.

TEAR has brought aid and encouragement to the most marginalized people throughout the developing world for 35 years. By combining its undeniably useful gift catalogue with careful selection and evaluation of partner organizations to whom funds are distributed, TEAR is able to address two of the most pressing challenges of private philanthropy: how to raise a consistent flow of funds, and how to keep overhead costs at a minimum while providing relief and the tools of self-reliance to those who need it most.

—Nicholas Dunn

Hoa Nghiem Temple—Vancouver, British Columbia

In the years following the Vietnam War, more than 1 million refugees piled on to rickety, overcrowded ships and fled war-ravaged Vietnam, Cambodia, and Laos. Prepared to risk everything, these "boat people" searched for safety and a chance for a successful future. Food and water ran out quickly, and pirates lurked who robbed, raped, and killed desperate passengers. About one in four of the refugees did not make it. Those who did were welcomed and protected by countries around the world. The United Nations set up refugee camps in Malaysia, Indonesia, and the Philippines to offer a safe refuge for the boat people while they awaited resettlement to third countries. Sometimes the survivors languished in such camps for years. The luckier ones were taken in quickly by countries like Canada, the U.S., and Australia.

Peter Battistoni/The Vancouver Sun

Shelley Milne of the Canadian Red Cross accepts the Hoa Nghiem check from Abbot Nguyen.

Canada accepted 137,000 of these refugees in the late 1970s and early '80s, a small group of which ended up in Burnaby, a tiny village near Vancouver in British Columbia. The immigrants established the Buddhist temple Hoa Nghiem and for the past 25 years have raised healthy families, held successful jobs, and moved on from their brutal past. But they haven't forgotten the compassion and generosity they received in their time of need. This was evident on New Year's Day 2005, when after Saturday prayers, Abbot Thich Nguyen Thao announced his plans to sell one of their temples in order to donate the entire proceeds to the south Asian towns devastated by the tsunami just six days earlier.

The members of the congregation themselves had been planning the sale of that very temple, in which they each had invested thousands of their own money—to use the proceeds for a new and bigger temple to accommodate the growing congregation. But after a brief initial shock, the entire congregation supported the decision. So instead of building a new house of worship, the abbot and the congregation remained in their original small temple, and handed a check for 500,000 Canadian dollars, the entire purchase price of the sold temple, to the Red Cross on January 10, 2005. The donation was matched by the Canadian government.

"This is for the countries in South Asia that took us in and fed us two decades ago, and which are now suffering a terrible disaster. This is also for the United Nations and the Canadian government and Canadian people, who sponsored us to come here to settle. It's the least we could do to show our thanks for everything that's been bestowed upon us," Thich Nguyen explained through a translator. Temple member Phien Dinh Nguyen added that, regardless of their refugee experience, members of Hoa Nghiem wanted to donate money to tsunami victims simply because they believe all people of the world are interrelated and deserve compassion.

Today, the members of Hoa Nghiem remain gladly in their crowded temple in Burnaby.

—*Andrea Tappmeyer*

Trinity Church, Massachusetts

The medical teams hike for an hour into the mountains with medical supplies packed on their backs.

Everyone has forgotten about us except God, and God has sent you.

—Resident of El Rincon, Honduras, to members of Trinity Church

In October 1998, Hurricane Mitch tore through parts of Central America causing devastation and leaving mass destruction in its path. Honduras suffered the greatest damage and loss of lives. The death toll was estimated at 7,000. Mitch destroyed an estimated 70 percent of the crops and close to 80 percent of the transportation infrastructure, including nearly all bridges and secondary roads. The damage was so great that existing maps became obsolete. Across the country, 83,000 houses were either damaged or destroyed, and 20 percent of the population was left homeless.

Trinity Church youth members at work in Honduras.

When the members of the youth group at Trinity Church in Boston heard about the catastrophe, they immediately wanted to help. They contacted the Episcopal Diocese of Honduras to identify projects where they could be most useful, and in July 2000, a group of 25 teenagers and adult mentors boarded a plane for Honduras to spend a week cleaning up and helping to rebuild the village of Ameritec, just outside Tegucigalpa, the capital city.

The team members, who paid their own way and stayed in a hotel in Tegucigalpa, brought food and medical equipment for the local families and clinics. During their visit, they built a foundation for a church and assisted with debris removal.

Trinity Church is in Honduras for the long haul. Since Hurricane Mitch, church members have revisited Ameritec, El Rincon, and other nearby villages every year. Since the first trip to Honduras in 2000, seven youth teams, three adult teams, and six medical teams have traveled to Honduras for weeklong trips, and three more are planned for 2007. Working side by side with the Hondurans, these teams have built a dam and water cistern and laid pipe to bring fresh water to El Rincon. The volunteers have also built latrines in homes and constructed churches that double as community centers, classrooms, and small-business centers.

One of the villages they visit yearly, Jocomico, has no passable roads, so the medical teams hike for an hour into the mountains with medical supplies packed on their backs. With a pediatrician and other doctors, as well as a dentist and several nurses, they serve a line of villagers that stretches around the makeshift day clinic, often housed in a church or school. It is usually the only time each year that the villagers are able to see a doctor. In their five pilgrimages so far, the medical teams have treated a total of 2,426 patients in some of the poorest communities in and around Tegucigalpa.

More than 160 people from the Trinity Church community have gone to Honduras to help, and many have returned on multiple trips. Jennie Williamson, a youth mission participant, explains that "the Hondurans have become our intimate brothers and sisters. We are one body from Trinity Church, one body with the people of Rincon de Dolores, and I have also come to realize through this experience that we are one body with the rest of the world." In 2007, the congregation hopes to help build a school in Tegucigalpa for street children and dig a foundation for a community center in El Pedrigal. With its unyielding support year after year, the members of Trinity Church are making lasting differences in the lives of thousands of people in Honduras.

—*Andrea Tappmeyer*

Remittances: The Trend that Is Changing the World

Remittances—the monies that immigrants send to their families and communities in their home countries—are having a dramatic effect on health care, education, housing, and economic development in the developing world. In today's globalized, technological world, traditional development assistance is being redefined in synergistic and exciting new ways. Remittances bring help to developing countries faster, with fewer overhead costs, and in direct response to local needs.

The increasingly powerful impact of remittances is partly due to technological innovations that make cross-border money transfers cheaper, easier, and safer. More and more immigrants are also joining together in Hometown Associations, pooling their money to bring clean water, schools, and clinics to their home towns.

As we can see in the stories that follow, remittances promote creative and constructive alliances among immigrants, between businesses in their new and in their home countries, as well as among financial institutions and governments—with tangible and remarkable results.

Sending Prosperity Home

In 1991, a parish priest in the village of Chinameca in El Salvador began to raise money for a local school. The people he contacted for donations were former members of his church who had moved to the U.S. This was the origin of Comunidad Unida de Chinameca (CUDC), one of the most successful Hometown Associations—groups of immigrants in the United States who pool their money to support their old home communities. Many former Chinamecans now make their home in the Washington, D.C. area.

While the majority of Hometown Associations (HTAs) each raise around $10,000 per year, CUDC raised $50,000 last year, and $30,000 in 2005. Instead of relying solely on donations from its thirty volunteers and ten board members, the organization raises funds through parties, raffles, movie nights, dinners, and the sale of traditional meals and beverages at local events. CUDC is also part of Comunidades Unidas Salvadorenas (CUS), a network of eight Salvadorian HTAs around Washington, D.C., which allows individual HTAs to join forces and approach large companies for support. Corporate sponsorship accounts for approximately 25 percent of the funds raised by CUDC. Budweiser donates money in exchange for exclusive beer-sales privileges at CUDC events. The Salvadorian Taca Airline donates about $5,000 a year, in addition to providing free airline tickets, such as for flying orphans from Chinameca to Washington, D.C. for a sightseeing trip. Some corporate sponsors are more selective, such as the Salvadorian remittance bank Banagricola, which provides funding exclusively for educational programs.

The Pan American Development Foundation, created in 1962 to establish public-private partnerships, works with CUDC to study the impact of remittances in Chinameca, helps identify projects, and facilitates partnerships with donor organizations. World Vision, a Christian humanitarian organization in Washington state, has been instrumental in facilitating and co-financing education projects, such as renovating schools and providing school uniforms to students.

Since its inception in 1991, CUDC has started roughly 15 projects in Chinameca, with costs ranging from $1,000 to $150,000 per project. These programs range from building and renovating churches to building new and affordable housing. Members of CUDC and other volunteers built 254 houses *in* the United States, and transported them to El Salvador as a part of the relief effort after an earthquake there in 2001. CUDC collaborated with other HTAs in the CUS network, as well as obtaining $40,000 in funding from American construction labor unions. CUDC has also constructed four houses in Chinameca for disabled citizens.

"I was helped a lot when I arrived in this country. Now, I have to help others."

CUDC has also aided the health sector of Chinameca by giving between $10,000 to $15,000 annually in food and medicine to the town's orphanage, in addition to purchasing and maintaining an ambulance for the village. The HTA has built public washrooms, improving the area's level of sanitation, and financed surgeries for people in need. The main environmental program funded by CUDC combatted the deforestation of the region through the donation of 20,000 trees.

The largest contributions of the organization, however, have been in the field of education. The most ambitious education program was the construction of a water tank and restrooms for a school that had previously been completely without water. An additional classroom was added, vastly improving the learning environment for the children in the district. CUDC paid for a computer room in another school, for which it donated 25 computers, and also paid for uniforms and food for three hundred school children. The impact of this program was doubled through a partnership with World Vision, which matched the number of children assisted, resulting in six hundred school children whose lives and education were improved.

All of these projects were made possible by money earned and raised by El Salvadorian immigrants and sent back to their home community. Recognizing the importance of these monies, CUDC's president, Francisco Castro, believes that, "the only future for El Salvador is remittances."

The impact of the Comunidad Unida de Chinameca is impressive by any standard, but becomes even more so considering that the people responsible for these generous acts are not wealthy donors. They are hardworking individuals who have made the most of their migration to the United States, and are now willing to donate their time, effort, and money so that their good fortune might be shared by others in their home community. "I believe that by helping, one receives more. For me, I was helped a lot when I arrived in this country," explains Castro. "Now, I have to help others."

—Jodianna Ringel

Making the Most of Remittances

The potential for remittances to lift people out of poverty and promote economic growth in the developing world reaches far beyond what is taking place today. The most promising ways of using remittances to fight poverty are to reduce the cost of sending them; to channel more remittances into investment; and to "bank the unbanked"—offering poor people the benefits of savings and credit accounts. "Unless these billions in remittances are banked, money that could fight poverty is not being used to its fullest," declared the *New York Times*, calling on the International Monetary Fund and G-8 countries to pay more attention to the monies that immigrants and migrants send back to their families and communities in their home countries.

The World Bank reports that in 2004, the average fee charged for remittances was 12 percent of the transfer amount. The fee ranged from less than 2 percent between countries with high volumes of remittances like the U.S. and the Philippines (4 percent for Mexico) to 17 percent for a bank transfer from the U.S. to Colombia. In addition, private money-transfer companies often have hidden fees in the form of exchange rate premiums charged to the recipient. In 2004, Mexican immigrants alone spent $700 million in transfer commissions and fees.

There are an increasing number of options to avoid such high costs, such as cross-border electronic payment systems. The U.S. Federal Reserve Bank, for instance, now links its automated transfer system with its Mexican counterpart under the U.S.-Mexican Partnership for Prosperity. Fees for electronic money transfers between the U.S. and Mexico have now dropped to 67 cents per transaction. This payment system, as well as increased competition between money transfer companies, has contributed to a reduction of transfer costs between the U.S. and Mexico by 60 percent since 1999. and led to more immigrant-friendly services. (See our piece on Western Union on page 69.)

Remittance services are encouraging senders and receivers to move from "cash-to-cash" to "account-to-account" transactions. This entails allows senders and recipients to accumulate capital, earn interest, and take out loans for business investments. It also provides them with a safe place to deposit their paychecks and remittances, eliminating the need to carry around large amounts of cash.

Banks have started to recognize the inherent profit potential and specific remittance needs of immigrants as a customer group. Citibank now offers two ATM cards to its customers from Mexico. Immigrants can send one of the cards to their family members in Mexico, who can withdraw money from the U.S.-based bank accounts at no cost at Banamex, Mexico's largest bank and Citibank's Mexican affiliate. Bank of America even went so far as to offer entirely free remittance transfers to Mexico for customers with personal checking accounts.

Remittances: Not Just Cash

For many immigrants in the United Kingdom, "in-kind remittances" are critical for their families back home. Travel between the U.K. and Sub-Saharan Africa is a common route, making luggage allowance an important factor in airline choice.

"I would like to fly my country's airline," she says of Kenya Airways, "but I have to consider my family when I come home, and the gifts I bring them," explains Josie Munene, a Kenyan who went to England for college. So, like many others, Josie books her flights on major international airlines, whose luggage allowance is 3 kilograms higher than that of many smaller carriers. On her last five flights home, Josie traveled on British Airways. British Airways and Virgin Atlantic have played up their weight allowance to attract more customers to fly to Sub-Saharan Africa.

It works for immigrants like Josie: "Bringing back items such as an Ipod is a novelty for my family. I focus more on clothing, house goods, and books that can only be found in the U.K. All of these items take up their fair share in luggage weight allowance."

Here, what is good for business is good for families. —*Catherine Fisher*

The integration of recipient families into the financial sector can be further encouraged by linking remittances to microfinance institutions, a growing number of which participate in the delivery of remittances in developing countries. They offer loans, savings accounts, and other financial services tailored to the needs of immigrants and recipient families.

Aside from "banking" senders and recipients, remittances can also be investments. One of the more imaginative remittance-transfer methods has come from Mexican construction giant CEMEX. The company has set up a project called Construmex, which allows Mexicans living in the U.S. to buy and ship home building materials, or even buy a new home in Mexico. Construmex also helps immigrants finance their new homes by providing loans that allow them to establish a credit record simply by demonstrating continued employment and the ability to pay bills. In this way, remittances help generate local construction jobs and boost the Mexican economy.

Remittances are helping the developing world in many ways—and so much of their potential has yet to unfold.

Exciting new worlds await. —*Christian Schuster*

A growing number of microfinance institutions offer loans, savings accounts, and other financial services tailored to the needs of immigrants and recipient families.

Western Union, Looking South

In 2005, Mexicans working in the U.S. sent more than $17 billion to their families and communities back home. About 5 percent of these workers are members of more than seven hundred Hometown Associations (HTAs), immigrant organizations that pool money in order to fund development projects in their home communities. As service fees have dropped, more and more remittances are being sent by wire transfer. Western Union in particular has fostered a long-term relationship with workers who send remittances to Mexico.

A 2003 survey by the Pew Hispanic Center, the Multilateral Investment Fund, and Bendixen & Associates revealed that over the last few years, 20 percent of remittances to Mexico from the U.S. were sent via Western Union. The increase in total remittances, combined with the increased use of wire transfers, has motivated Western Union to lower prices and diversify the services it offers to migrant workers.

In February 2006, Western Union introduced the "remittance calculator," a free online tool co-sponsored by the Mexican government that lays out all the options for making a wire transfer. The remittance calculator factors in the cost, speed, and safety of wire transfer services from different companies—including Bancomer Transfer Services, La Red de La Gente, Bank of America, Telecomm-Telegrafos, and Western Union. According to Western Union, these companies represent 65 percent of the remittance market from the U.S. to Mexico, and more companies are likely to join in the future.

Greg Salgado, head of the Federation of Guerrenses in Chicago, which represents many of the Mexican workers from the state of Guerrero, gives a thumbs-up: "Western Union has for years helped Mexicans in the United States send their money home safely and efficiently, so it is no surprise to see them take a leadership role in an initiative such as this which combines the latest technology with the highest possible devotion to customer service."

Western Union has shown support for Mexican workers in other significant ways as well. In June 2006, Western Union became the first private-sector organization to participate in Mexico's "3x1" program, in which funds raised by Mexican HTAs in the U.S. are matched dollar for dollar by the city, state, and federal levels of the Mexican government.

In what is now called the "4x1" program, Western Union is contributing $1.25 million, of which each participating Mexican state receives $250,000. Matched by the

Mexican government, Western Union's donation will create $5 million for school construction, utilities, and other public services throughout some of the poorest parts of Mexico.

—*Tres Thomas*

The Cell Phone: The Industrial Revolution of the Developing World?

Wire transfers have been the conventional way for immigrants and migrants to send money back home to their families. The big competitor on the horizon for traditional money-transfer companies: mobile phones. Transferring money through cell-phone text messages has been successful in the Philippines, where text messaging represents 38 percent of wireless communications.

The Philippines are the fourth largest remittance market in the world ($7 billion a year), after India, China, and Mexico. The entrance of telecom companies into this emerging market has resulted in innovations that benefit both the sender and the receiver. Only 27 percent of the 89 million Filipinos have access to banking services, while 40 percent have access to mobile phones. Through "micropayments"—no amount is too small—immigrants can transfer money in amounts that would be unprofitable in the banking sector.

One such company, Smart Communications in the Philippines, has joined forces with MasterCard to deliver mobile phone services through its SmartMoney program. Whoever has a cell phone, four dollars (for a one-time payment), and two valid IDs, can make international money transfers to another SmartMoney user in one simple transaction: Users transfer funds from a pre-paid phone account issued by MasterCard, and the recipient cashes them in at a local bank, or any of numerous Filippino department stores, malls, and restaurants like McDonald's.

There is a flat fee of two and a half Filipino pesos, about 4 cents, paid by the sender, which goes to the mobile phone company. The participating businesses charge the recipient between 1 and 5 percent of the cash received, depending on the store.

The efficient and affordable services have caught on with Filipinos. Smart Communications increased revenues in the Philippines by 67 percent in 2005. According to the International Finance Corporation, the SmartMoney program transferred at least $50 million a month to recipients in the Philippines.

MasterCard is planning to apply the SmartMoney model from the Philippines to other markets because in many developing countries, the poor have greater and easier access to a cell phone than to a bank account. In February 2007, the first program was launched in India between wireless company Bharti Airtel and the State Bank of India. The idea is similar to the SmartMoney system in which national consumer markets merge with local banks to offer remittance services to clients. According to O. P. Bhat, chairman of the State Bank of India, "this project has the potential of transforming lives and economies across the globe."

Wireless companies like Nairobi-based Safaricom and Manila-based Globe Telecom also have plans to expand their services to more areas within the U.S., U.K., Africa, and Asia by late 2007, through similar partnerships between merchants and banks. Since 80 percent of the world's population has access to a cell phone, mobile-phone remittances seem unstoppable—giving every cell phone user the "bank account" he might never have had, and every waiting family, the money it might never have received.

—*Tres Thomas*

The Methodology

The *Index of Global Philanthropy* is the only publication that comprehensively details the sources and magnitude of U.S. private giving to the developing world. The 2007 edition builds on the 2006 inaugural issue to provide updated and expanded U.S. data, as well as private giving numbers from European, Commonwealth, and Asian countries. The 2007 *Index* benefits from the research and analysis of new partners representing the best knowledge and expertise on non-governmental giving in their respective fields, as well as a continuing collaboration with other partners. The Center for Global Prosperity is grateful for their participation.

Our new partner for the corporate philanthropy section is the Committee Encouraging Corporate Philanthropy (CECP), an international forum of more than 150 business CEOs and chairmen. We are grateful for the guidance and assistance provided by CECP executive director Charles Moore as well as program manager Margaret Coady. Our source for data on foundation giving is the Foundation Center, where we worked with director of research Steven Lawrence and assistant director of research Josie Atienza. The Foundation Center, a leading U.S. authority on philanthropy, collects data on American philanthropy, and conducts and facilitates authoritative research in the field.

Our new partner for definitive data on giving by private and voluntary organizations (PVOs) is the Center on Nonprofits and Philanthropy (CNP) at the Urban Institute. The CNP conducts and disseminates research on the role and impact of non-profits and philanthropy, conducting rigorous research and providing clear analysis to inform policy in the field. We worked with program director Tom Pollak, research assisant Petya Kehayova, and Janelle Kerlin at Georgia State University. We are also grateful for the guidance of Dr. Elizabeth Boris, director of the CNP.

For giving by U.S. universities and colleges, our new partner was the Institute of International Education (IIE), an independent non-profit organization that is among the world's largest and most experienced international education and training organizations. IIE executive vice president Peggy Blumenthal and director of research and evaluation Rajika Bhandari provided essential data as well as wisdom and guidance on methodological challenges.

For international giving by religious organizations, the Billy Graham Center at Wheaton College was an essential source, providing unique data on giving through Protestant missions. We are grateful for the cooperation of the Center's director, Dr. Kenneth Gill. The National Council of Churches of Christ in the USA (NCCCUSA) provided valuable data on its congregational giving, for which we thank the Reverend Dr. Eileen Linder. We also thank Eric Wunderlich of the Church of Jesus Christ of Latter-Day Saints for the data he provided on Mormon giving.

In addition, we benefitted from the data sources and analysis of the Inter-American Development Bank and World Bank experts to arrive at our figures for remittances.

We worked again with the Partnership for Quality Medical Donations (PQMD), a coalition of health care manufacturers and private organizations that distributes medicines and supplies overseas. Interim director Elizabeth Scott and executive director Lori Warrens were generous in providing data as well as guidance on the study on medical supply donations to the developing world, conducted for PQMD by Dr. Kevin Frick of Johns Hopkins University's Bloomberg School of Public Health.

In some subject areas the rigor and sophistication of our partners' approaches yielded significantly larger numbers than last year; in others the refined methodologies resulted in slightly lower numbers. In its way, the *Index* is a journey to define a universe of non-governmental giving that has not been fully or completely captured before. By working with the right organizations and experts, we are learning more about the field and thus continuing to adjust and improve our methodologies.

Measuring International Giving by U.S. Foundations

The Center for Global Prosperity's source of data on international giving by U.S. foundations is the Foundation Center, whose mission is "to strengthen the nonprofit sector by advancing knowledge about U.S. philanthropy." As part of that mission, the Foundation Center gathers data on U.S. foundation giving for both domestic and international purposes.

The Foundation Center's estimates of international foundation giving include all grants awarded to recipients based outside the United States and its territories, and grants to U.S.-based international programs. The figure for foundation giving for developing countries includes the following: 1) grants that go directly to recipients in developing countries for projects in fields such as health, education, economic development, and the environment; 2) grants to U.S.-based international programs benefiting developing countries, and 3) grants for global health programs. Countries were classified as "developing" based on the 2005 "Official Development Assistance Recipient List" of the Organization for Economic Cooperation and Development (OECD).

The Foundation Center's 2005 grants sample database includes all grants of $10,000 or more awarded by 1,154 of the nation's largest foundations, including 181 corporate foundations. These 130,961 grants totaled $16.4 billion and represented roughly half of total grant dollars awarded by all U.S. independent, corporate, community, and grantmaking operating foundations in 2005. International giving by foundations in the sample accounted for close to three fourths of total estimated international giving by all U.S. private and community foundations.

In 2005, private and community grantmaking foundations in the U.S. provided an estimated $3.8 billion in support for international causes. These estimates are based on an analysis of the Foundation Center's 2005 grants sample database and on 2005 giving by the nation's more than 71,000 grantmaking private and community foundations. The estimate for 2005 international giving is consistent with the figure reported in the Foundation Center's *International Grantmaking Update: A Snapshot of U.S. Foundation Trends* (October 2006).

In addition to overall international giving of $3.8 billion, the Foundation Center estimated the proportion that targeted the developing world by conducting a detailed investigation of foundation giving patterns by geographic location of the entire grant data set for 2005. This came to $2.4 billion for all grantmaking foundations of which $181 million came from corporate foundations. Since the corporate foundation figure is being counted in the corporate giving section of this report, this amount was subtracted from the overall total of $2.4 billion.

Thus, excluding corporate foundations, the total for U.S. foundation giving to developing countries is $2.2 billion.

Measuring International Giving by U.S. Corporations

In this year's *Index* we worked with the Committee Encouraging Corporate Philanthropy (CECP), which collects detailed numbers from its corporate members on an ongoing basis. Their statistics and other information were invaluable and have helped us strengthen our corporate giving number greatly.

We used data from three sources to determine the $5,146,748,609 ($5.1 billion) for international corporate philanthropy in 2005: 1) data from the CECP, 2) data from the Partnership for Quality Medical Donations (PQMD), and 3) a systematic review of additional donations by 73 Fortune 500 companies conducted by researchers at the Center for Global Prosperity.

As discussed in the *Index*'s Part I narrative, CECP is an international forum of more than 150 business CEOs and chairmen focused on corporate philanthropy. We received numbers for pharmaceutical in-kind donations from PQMD, a coalition of health care manufacturers and private organizations that distribute medical supplies internationally. Given the absence of central and comprehensive data for this philanthropic sector, we know that our figure is a conservative estimate.

The total corporate philanthropy figure of $5,146,748,609 comes from corporations and corporate foundations surveyed in the CECP study: $258,191,999; PQMD's in-kind medical donations including transport, duties, storage and in-country transportation: $4,290,000,000; and additional corporate giving gathered in the Center for Global Prosperity survey: $598,556,610.

CECP

The CECP figure includes totals reported in the initial CECP survey of its more than 150 members, and additional totals reported in a follow-up survey that CECP conducted for the Center for Global Prosperity, resurveying companies that had not reported international giving and also asking specifically for the amounts given to developing countries. Thirty-five companies responded to this survey. For those 13 companies that provided specific data on giving to the developing world, CECP determined that 98 percent of total giving went to developing countries.

The total CECP figure of approximately $258 million comprises the total direct cash giving of 51 corporations that responded to both surveys ($88,290,722) and the total corporate foundation giving from this pool ($128,387,459), for a total of $216,678,181. In addition, the respondents reported $1,065,587,076 of in-kind giving. We then tallied the in-kind sub-total for seven reporting PhRMA corporations (whose figures are already included in the PQMD numbers) to avoid duplication.

The seven pharmaceutical companies donated $1,018,804,034 worth of in-kind contributions as documented in the CECP survey. Subtracting the pharmaceutical companies' subtotal of $1,018,804,034 from the in-kind total of $1,065,587,076 yielded $46,783,042 in non-pharmaceutical in-kind contributions. Adding this figure to the cash figure of $216,678,181 yielded $263,461,223. We multiplied this worldwide total by 0.98 to determine the percentage of giving to the developing world, yielding a total number of $258,191,999 for all CECP members' corporate giving minus the pharmaceutical companies' in-kind giving.

PQMD

A PQMD survey found in-kind donations by pharmaceutical companies and medical product manufacturers to be $3 billion for 2005. In discussions with various companies and private and voluntary organizations, we obtained percentage estimates for all the add-on costs that companies pay to get their products to patients in the developing world. For transport, insurance, and handling there is a 10 percent add-on totaling $300,000,000; for duties, taxes and tariffs, an 18 percent add-on of $540,000,000; and for storage, distribution, and in-country transport, a 15 percent add on of $450,000,000. Adding these numbers to the $3 billion provides us with an in-kind pharmaceutical corporate giving number of $4,290,000,000.

Hudson Institute

Center for Global Prosperity interns conducted an extensive review of Fortune 500 companies not represented in either the CECP or PQMD survey. They researched more than four hundred companies by combing through corporation websites and annual reports, and through e-mail and phone communications, collecting a total of $598,556,610 from 73 companies in cash and in-kind giving by the companies and their corporate foundations.

Measuring International Giving by U.S. PVOs

The Center for Global Prosperity collaborated with the Urban Institute's Center on Nonprofits and Philanthropy (CNP) to determine funding for projects in the developing world—$13.4 billion—run by private and voluntary organizations (PVOs). Building on its earlier research on international PVOs—which examined 2003 "990" tax-exemption forms that PVOs filed with the IRS—CNP added a group of PVOs that had not been available for the 2003 analysis.

The new PVOs included organizations that had newly registered with the IRS, those filing "990" forms for the first time, and those identified through U.S. Agency for International Development (USAID) data. Financial data were updated to 2005 or 2004 (where 2005 data was not available) for each organization.

Newly registered PVOs with an international focus were identified in a three-step process. In the first step, the data set of all 26,000 new non-profit organizations for the 2004 to 2005 period 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, while 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 Center for Global Prosperity specifications, the CNP removed all organizations that primarily supported activities in developed countries, which included all countries in Western Europe, Canada, Japan, Australia, New Zealand, and Israel.

A number of approaches were required to differentiate international and domestic program activities, expenses and contributions for these organizations. For organizations included in the 2006 USAID *Report on Voluntary Agencies* (*VolAg*), reporting on 2004 activity, the most recent available year, the ratio of international to domestic program expenses, which was individually calculated for each organization, was used. For the largest hundred organizations not on the *VolAg* list, the CNP reviewed "990" forms, organization websites, and annual reports. In some cases, a precise number could be determined; in others, the CNP used the best available information to estimate this percentage.

For smaller organizations not included in the *VolAg* data, the CNP sampled one hundred randomly selected organizations in order to determine the average distribution of domestic and international activities. For this sample, international activities accounted for 98.51 percent of total activities. CNP then applied this percentage to the total private contributions (including both cash and in-kind contributions) to determine the total amount of private contributions spent on international activities.

To ensure that all PVOs are represented in the *Index*, CNP identified the organizations that were on the 2005 *VolAg* list, but not in the initial CNP 2005 international non-profit data set, and added the missing 35 PVOs. For PVOs for which no "990" form could be obtained, the *VolAg* report provided the necessary financial information added to the data set.

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. To accomplish this, the CNP prepared a list of the top 50 educational development recipients; the top 50 environment, sustainability, and population recipients; and top 100 "global" recipients. The Foundation Center matched this list of organizations with the grants received by the organizations and determined whether or not the grants were intended for developing countries.

The total amount, more than $368 million, of international foundation grants to U.S.-based organizations for development purposes was subtracted from the estimate of private contributions for development determined from the 2005 international non-profit database—$14.85 billion—resulting in a total of $14.48 billion.

In order to eliminate double-counting of corporate contributions of pharmaceuticals and other medical supplies or equipment, CNP reviewed the *VolAg* data and "990" forms for all organizations active in "health development and assistance." These organizations reported a total of $1.06 billion in in-kind contributions. This amount was deducted from the private contribution total, resulting in $13.4 billion in private contributions received by U.S. PVOs and spent on international development.

Measuring International Volunteer Time Given by Americans

For estimating U.S. international volunteer time for developing countries, the *Index* used data from the Independent Sector, a coalition of 575 organizations in the U.S. charitable community that describes itself as "the leadership forum for charities, foundations and corporate giving programs committed to advancing the common good in America and around the world."

The Independent Sector conducts basic research on the scope of charitable organizations, including their number and type and on the value of volunteer time. It produces a compendium of local, state, national, and international research work on charitable behavior, the Giving and Volunteering Research Clearinghouse, and a number of other authoritative publications about charitable organizations and activity.

The Independent Sector bases its annual calculations of the value of U.S. volunteers' time on the average annual wage of all non-management, non-agricultural workers, based on U.S. Bureau of Labor Statistics figures, adding 12 percent for fringe benefits. For 2005, the Independent Sector determined the average hourly wage to be $18.04, and calculates the estimated value of one year's worth of volunteer time as 1,700 hours. We multiplied the 2005 average annual wage by the accepted number of hours to calculate the value of a volunteer as $30,668.

In its most recent study of the issue in 2001, the Independent Sector calculates the percentage of American volunteer time that was dedicated to volunteering abroad at 1 percent. The Independent Sector determined in the same study that total U.S. volunteerism was equivalent to 9 million full-time workers. One percent of this figure—the percentage of time that was dedicated to international service—is 90,000 workers. Multiplying 90,000 by the 2005 average annual salary of $30,668, we estimate the value of volunteer time to be $2,760,120,000.

Measuring International Giving by U.S. Universities and Colleges

The Center for Global Prosperity is pleased to have the Institute of International Education (IIE) as a partner for this year's *Index*. Our figure of $4.6 billion 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.[1] *Open Doors* data covers the 565,000 international students who studied in the U.S. in the 2004/2005 academic year, and includes cost breakdowns of their tuition and fees, living expenses, and their sources of support.

From *Open Doors* data on the number of international students coming from different regions of the world, we calculated that 81 percent of them were from the developing world, of which 57 percent came from Asia, 12 percent from Latin America, 6 percent from Africa, and 6 percent from the Middle East. While there are some students from developed countries in these regions, e.g., Japan, their number is negligible. Of the remaining 19 percent of students from the developed world of Oceania, North America, and Europe, there is also a negligible number of foreign students from developing countries, e.g. Mexico.

Jason Baumgartner and Lynn Schoch of the University of Indiana combined IIE's enrollment data with tuition data from the College Board in an analysis prepared for NAFSA: Association of International Educators. The analysis 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 2004-2005 of $13,289,817,614. 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 the $13.3 billion total that came from U.S. sources was $5,732,742,001. Also according to *Open Doors*, 0.6 percent of the $13.3 billion total was provided by the U.S. government, i.e. $79,738,906. Subtracting $79,738,906 in U.S. government support from $5,732,742,001 yields $5,653,003,095 in support from U.S. sources other than the U.S. government, including universities and colleges and various private sponsors. Multiplying this figure by 81 percent yields a total of $4,578,932,507, or $4.6 billion.

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 definitions 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 2,898 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 70.5 percent. Nearly 96 percent of responding institutions reported enrollment of international students.

Measuring International Giving by U.S. Religious Organizations

Our Part I narrative on giving by religious organizations identified the strong tradition of giving and volunteering among people who attend religious services regularly, and the lack of data on the entirety of this giving to developing countries. There are no dedicated institutional repositories of such information that provide a central database. Unlike non-profit foundations and PVOs, which are required to report charitable donations of more than $25,000, religious congregations are not required to report donations to the Internal Revenue Service.

Center for Global Prosperity staff systematically reviewed a variety of credible data sources on religious organizations' giving and cross-referenced the data to account for duplicate reporting. The Billy Graham Center in Wheaton, Illinois shared the results of its study of seven hundred U.S. Protestant missions' international giving for 2005, almost entirely to the developing world. Approximately $5.24 billion in funds were provided to the mission agencies by church congregations, religious organizations, and individuals. [2]

The Center for Global Prosperity also obtained data on international philanthropy by 64 denominations from the National Council of the Churches of Christ in the USA (NCCCUSA) for 2005. We cross-referenced this data source with Billy Graham Center data to eliminate double counting.

Subtracting contributions from sources listed in the Graham Center's *Mission Handbook*, unique contributions from NCCCUSA's study[3] totaled $62,066,133. We then identified, through Empty Tomb, Inc., three additional denominations not accounted for in the above two sources—the Church of God General Conference, the Church of the Lutheran Confession, and the Evangelical Lutheran Synod—for a total of $586,634.[4] The Church of Jesus Christ of Latter-Day Saints' national office, representing Mormon churches, reported an additional $73,000,000.

The NCCCUSA, Empty Tomb, and Mormon data plus the $5.24 billion reported by the Billy Graham Center add up to our 2005 figure for religious giving to the developing world of $5,375,652,767.

This is a conservative figure, as it does not include international giving to the developing world by Muslim and Jewish organizations, or other non-Christian denominations. Available data on Catholic giving appears to be largely through PVOs and is likely captured in that section. Contacts with representatives of these denominations confirmed the lack of organized data on their international private giving to poor countries. We are working to develop a survey with a qualified institution so that better data on all religious giving can be collected for future editions of the *Index*.

Measuring Remittances from the U.S. and OECD Donor Countries

The detailed study of remittance flows is a relatively new phenomenon and the methodology for collecting data has yet to be standardized. Although a diverse number of means for measuring remittances has arisen, two have dominated the field—the Balance of Payments method and the survey method. A third, the conceptual method, has been newly developed by World Bank economists Dilip Ratha and William Shaw.

The *Index* uses data from surveys wherever available, and then data from Balance of Payments records where survey data are not available. Where there are no data for a country, the conceptual method is employed.

Balance of Payments Method

Total remittances in the Balance of Payments framework are calculated through the addition of three items: 1) "net compensation of employees," 2) "workers' remittances," and 3) "migrant transfers."

"Net compensation of employees" is the salary paid to a person living within a country where he is not a resident, with the deduction of his expenses. These expenses include taxes, travel (including food and accommodations), and social contributions to the economy in which he is working.[5] "Net compensation of employees" does not measure how much of this income leaves the country, but assumes that the remainder of the worker's salary, after deduction of expenses, will not stay in the host country.

"Workers' remittances" are the monies sent abroad by those immigrants who are considered residents in the host country. This group of senders is generally expected to stay in the host country for a year or more.

"Migrant transfers" are the monies from migrants who have been living in a country for less than one year, and are not considered residents there. It is this category that captures the more traditional concept of remittances.[6]

The number generated from these three items provides a comparatively low estimate of remittances compared to survey methods. This is partly because some countries do not provide Balance of Payments data to the International Monetary Fund, and also because the measure does not capture informal flows, estimated as at least 50 percent of total remittances.

Survey Method

Remittances are also measured through independent surveys of migrant populations conducted by various private, government, and multilateral institutions. These surveys capture a larger percentage of remittances because they capture informal remittances. Surveys, however, are not always successful in obtaining data from illegal immigrants, as this population tends to be hesitant about providing information. Even within the survey category there are many variations in methodologies, of which some are more accurate than others. None, however, are believed to have yielded fully accurate remittance totals so far.[7]

The majority of *Index* data for remittance outflows to developing countries from the U.S. comes from the Commerce Department's Bureau of Economic Analysis (BEA).[8] We used BEA numbers because they provided bilateral remittance data from the U.S. to each region of the world, and included individual data for major recipient countries.

The BEA survey model bases its estimates on the foreign-born population through reports issued by the U.S. Census Bureau, including *The Census of Population* and *The Current Population Survey* and their estimations of the annual flow of undocumented aliens, as well as reports from the U.S. Citizenship and Immigration Services (CIS). The model uses demographic information, including family status, age, length of stay, as well as income levels for the foreign-born population, to determine the likelihood that these workers will send money to their home countries.

BEA analysis is conducted with sample populations of foreign-born individuals to gain insight into how much and how often the foreign-born population sends remittances. The analysis is also used to determine consistency of trends concerning the flow of remittances, i.e., if persons from developing countries are significantly more likely to send money home and if remittances are higher in the initial years in the U.S. The basic survey data is collected by the CIS or other government agencies such as the Census Bureau. BEA then compiles and analyzes the data from the surveys to arrive at its remittances estimations.

Theoretically, this method should capture both formal and informal flows, but there is no guarantee that the formal assumptions being made, such as a migrant's propensity to send remittances, are completely accurate. Additionally, the BEA information can be inconsistent because data for some countries includes migrant transfers, and does not for other countries.[9]

Conceptual Model

Whenever survey or Balance of Payments remittance data from OECD donor countries to developing countries were not available, we filled these gaps with a conceptual model developed by Dilip Ratha, senior economist and manager of the migration and remittances team at the World Bank's Development Prospects Group, and William Shaw, former lead economist in the Development Prospects Group.

The model provides three estimates for flows of remittances from each sender country to each recipient country. The first estimate is calculated based on the number of migrants from each home country in each host country. The second estimate adds the host-country incomes to the calculation. Lastly, the third estimate also accounts for incomes in home countries, which give an estimate of the purchasing power in that country. I.e., for a home country with higher incomes, higher remittances would be expected, in order to make it worth while for a family member to go abroad.[8] We decided to use the third estimate as it represents the most comprehensive conceptual estimate available.

In contrast to Balance of Payments data, these conceptual model amounts are not based on measurements, but on theoretical estimates. Nevertheless, they provide useful ballpark figures with which we filled our gaps in remittances data from each OECD donor country to the developing world.

Using multiple methodologies creates some discrepancies with other reports on remittance flows. As a result, our own estimates of remittances, while all carefully documented, may vary from other published estimates.

Remittances for European, Commonwealth, and Asian donor countries were also measured using a combination of survey and Balance of Payments data, the conceptual method developed by the World Bank, and reports from special reviews of remittances in some of the countries. These sources and methods are detailed in the footnotes provided for each of the countries.

Measuring International Private Giving from the United Kingdom

The United Kingdom was the only OECD donor country besides the U.S. for which we could obtain documented international private giving numbers that were higher than the U.K. government submission to the OECD. While we believe that the private giving numbers submitted to the OECD for most of the other donor countries are underestimates, the data sources and methodologies are not yet available to arrive at alternative private giving numbers.

Our estimate for total U.K. private giving to developing countries in 2005 is $2.4 billion. This number consists of two sources. The first is donations from individuals collected by the Charities Aid Foundation (CAF) and the National Council for Voluntary Organisations (NCVO), and published in *UK Giving 2005/06*, which shows that in 2005, the total amount donated by individuals for charitable causes was £8.9 million.[11] Thirteen percent of this total charitable giving by individuals was directed to overseas causes.[12] In order to calculate individual charitable giving to overseas causes we multiplied the total amount donated by individuals (£8.9 million) by the percentage of individual giving directed at overseas causes (13 percent) to arrive at £1.157 million in overseas giving.

The second source is corporate donations for tsunami relief in 2005. These data are published by CAF in *Charity Trends 2006* based on an estimate by Business in the Community, a British group that collects data on businesses philanthropy. CAF stated that “Business in the Community (BitC) reports tsunami-specific corporate donations to have exceeded £52 million (compared with the £350-£400 million donated by individuals).”[13] Since there are no data to confirm a higher estimate, we used this £52 million figure.

We then added individual giving (£1,157 million) and corporate tsunami aid (£52 million) for a total of £1,209 million for U.K. private giving to developing countries. We used the U.S. Treasury Department’s 2006 annual aggregated average conversion rate of 1.95 British pounds sterling to U.S. dollars. This resulted in the $2,358,000,000 or $2.4 billion, for 2005 U.K. private giving to developing countries. In arriving at this number, we worked with Liz Goodey at CAF to confirm our data sources for private giving and our choices of categories to be included in a total estimate for U.K. private giving abroad.

This number likely underestimates total U.K. private giving to poor countries by leaving out non-tsunami giving from corporations and private giving from charities, educational institutions, and religious organizations. While disaggregated data were available for some of these other categories, we were not able to control for double-counting where individuals gave to charities and religious groups. For other corporate numbers, there were no data separating the amounts that companies gave exclusively to developing countries. Thus, the number compiled from CAF and NCVO on individual giving and the BitC corporate tsunami number totaling $2.4 billion—significantly higher than the $726 million reported by the U.K. government to the OECD— is likely to be even higher.

Endnotes:

[1] *Open Doors 2005: Report on International Education Exchange*, 2005. Hey-Kyung Koh Chin, ed. New York: Institute of International Education.

[2] Linda Weber and Dotsey Welliver, eds., *Mission Handbook 2007-2008: U.S. and Canadian Protestant Ministries Overseas*, 20th Edition. Evangelism and Missions Information Service, 2007.

[3] Rev. Dr. Eileen Lindner, ed., *Yearbook of American & Canadian Churches*, 75th Edition, NCCCUSA, 2007.

[4] John and Syliva Ronsvalle, *The State of Church Giving Through 2004*, 16th Edition, Empty Tomb, Inc., 2006.

[5] "Definitions of Remittances," *Ninth Meeting of the IMF Committee on Balance of Payments Statistics*. Frankfurt: United Nations, 2006.

[6] Jens Reinke and Neil Patterson, "*Remittances in the Balance of Payments Framework: Current Problems and Forthcoming Improvements*. Washington, DC: World Bank, 2005.

[7] Neil Fantom, "Improving Data on Remittances," *First Meeting of the Luxembourg Group*. Washington, DC: World Bank, 2006.

[8] "International Economic Accounts," Bureau of Economic Analysis, June 16, 2006. www.bea.gov/bea/international/bp_web/list.cfm?anon=71&registered=0

[9] Office of Accountability, "International Remittances: Different Estimation Methodologies Produce Different Results," *Report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate*. Washington, DC: United States Government, March 2006.

[10] Dilip Ratha and William Shaw, *South-South Migration and Remittances*. Washington DC: The World Bank, 2007.

[11] *UK Giving 2005/06*. London: Charities Aid Foundation & National Council on Voluntary Organisations, 2006, p. 4. www.cafonline.org/pdf/UK%20Giving%202005%20-06.pdf.

[12] Ibid., p. 19.

[13] *Charity Trends* 2006. London: Charities Aid Foundation, 2006, p. 139.

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