

## **American Philanthropic Foundations: Emerging Actors of Globalization and Pillars of the Transatlantic Dialog**

*A recent study<sup>1</sup> by Benoît Chervalier, Transatlantic Fellow at the German Marshall Fund of the United States and Joseph Zimet, NGOs and Foundations Liaison officer at the Agence Française de Développement, undertaken in partnership with Sciences-Po Paris, illustrates the increase in power of American philanthropic foundations in discussions dealing with globalization, in particular financing for development and Global Public Goods. Despite real convergence with development donors, American foundations are appearing on the international development cooperation scene as independent actors, relatively invulnerable to factors that determine the developmental aid policies of the main contributing countries of the OECD. Thus, while they claim to be pursuing the Millennium Development Goals, the foundations nevertheless stress the fact that the MDGs have little influence on the definition of their sectorial strategies. As a large portion of their financing is implemented via international development organizations and institutions located in Europe, American foundations are also proving to be important partners in the transatlantic dialog and share real strategic affinities with certain European donors.*

From

Benoît Chervalier, *Transatlantic Fellow at the German Marshall Fund of the US*

Joseph Zimet, *Chargé de Mission at the Agence Française de Développement*

### **1. American philanthropic foundations devote a growing portion of their financing to international cooperation for development activities.**

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<sup>1</sup> “US Funding of the Millennium Development Goals: an Analysis of Private Philanthropy and Public Aid,” 2006.

*Although the number of philanthropic foundations in the United States has doubled in ten years, their international contributions have been increasing at a constant rate since the end of the 90's. American philanthropic foundations have become influential actors at the international level, especially in the area of providing Aid for developing countries.*

- *The number of foundations in the United States doubled between 1995 and 2005*

The **number of philanthropic foundations in the United States doubled between 1995 and 2005, growing from 38, 807 foundations to 75, 953.** The global volume of financing allocated each year by foundations in the United States and abroad has logically reflected this net increase, rising from 11.3 billion dollars in 1994 to 32.4 billion dollars in 2004. The American philanthropic sector went through a shallow “air pocket” between 2001 and 2004, essentially due to the drop in the financial markets and to the political and economic consequences of the September 11 attacks.

- *The doubling of the foundations' international contributions between 1998 and 2002*

The foundations' international financing **doubled between 1998 and 2001, going from 1.8 billion dollars to 3.3 billion,** and then leveling off at **3 billion dollars** after a slight drop during the 2001-2003 period. The increase was the result of the **creation of new foundations, a large part of whose financing devolved to international programs,** as is the case of the Bill and Melinda Gates Foundation for health issues<sup>2</sup>, or the Gordon and Betty Moore Foundation in the area of environmental protection<sup>3</sup>. Moreover, the increase in the volume of the foundations' international contributions is the result of the **increase, in terms of absolute value, of the number of foundations active at the international level and the development of international activities within foundations that already carry out international action for development.** An analysis of the donations of the top 1, 000 American foundations<sup>4</sup>, which make up more than 50% of the contributions within the American philanthropic sector, shows **a significant increase in international contributions, thus representing 15.4% of total contributions from the American philanthropic sector in 2003.**

- *A large part of the foundations' international contributions is implemented by American organizations*

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<sup>2</sup> Since its creation in 1998, the Bill and Melinda Gates Foundation has donated some ten billion dollars, including 5.8 billion for the Global Health Program.

<sup>3</sup> The Gordon and Betty Moore Foundation has made a billion dollars' worth of donations since 2001, a large part of which has gone to environmental protection projects.

<sup>4</sup> Foundation Center, “International Grantmaking III, an Update on U.S. Foundation Trends,” 2004.

When speaking of international contributions, there is a distinction to be made between the contributions made to American organizations that implement international actions from those that go directly to foreign organizations. **The percentage of the contributions going to American institutions has clearly increased over the last ten years from 5% in 1994 to 13% in 2004**, while the amount given to foreign recipients increased by only 1% during the same period, representing 5% of the foundations' total contributions. After a drop that began in 2000, there was a recent rise in funding paid out to foreign organizations beginning in 2003. The Rockefeller Brothers Fund, for example, tripled its international contributions going to foreign institutions between 2003 and 2004. Generally speaking, international aid from American foundations is rather "tied."

## **2. International activity by American foundations is mainly undertaken by a group of 12 major foundations, which are very active in the area of international cooperation.**

*Analyzing the cash outlays by the main American foundations shows that they are major contributors to the funding of Global Public Goods, such as health, education or protection of the environment. International aid from foundations is also relatively concentrated, as it comes from a small number of organizations that bear the main part of the international effort made by the American philanthropic sector. Western Europe receives a third of "untied" international contributions from foundations for development and as a result plays an important role as mediator between the United States and developing countries, especially the Least Developed Countries. When they work directly with Southern countries, American philanthropic foundations tend to favor emerging countries, with the Least Developed Countries proportionally receiving low amounts of direct aid.*

- *An in-depth review of the 12 main foundations active at the international level*

Out of the main 1,000 American foundations examined by the Foundation Center, this study chose to single out the 12 largest foundations active at the international level<sup>5</sup>, which implement more than 50% (1.5 billion dollars) of the international funding provided by the top 1,000 American foundations. The in-depth evaluation of these 12 foundations makes it possible to look more closely at the sectorial activity and the geographical destination of the main contributions made by American foundations that are active at the international level. The analysis of the financial flows of the 12 foundations chosen by the study show that **the foundations which favor American organizations as recipient vehicles for their international programs choose organizations located in Western Europe, Canada and Australia for foreign financing. Inversely, the foundations that**

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<sup>5</sup> Ford, Hewlett, Packard, Rockefeller, Gates, Mellon, Kellogg, Mott Foundations, Open Society Institute, Rockefeller Brothers Fund, Carnegie Corporation of New York, MacArthur.

dedicate the smallest portion of their contributions to American recipients are those that do more direct implementation in developing countries. Overall, the 12 foundations highlighted by the study contribute about 850 million dollars to international programs that are implemented by non-American organizations. The Ford Foundation is the one that provides the largest number of subsidies (1, 005) via foreign organizations. On the other hand, **the Rockefeller Foundation, the oldest of those active at the international level, is also the most “international” of the American foundations, donating 40.9% of its funding to organizations located outside the United States.** The aid provided by the Rockefeller Foundation is thus the most “untied” of all the American foundations. Domestic funding for international activities must be added to the list of international contributions. The Bill and Melinda Gates, Ford and Rockefeller Foundations are those that contribute the most to this type of activity. **Funding provided by the Gates Foundation increased from 103 to 843 million dollars between 2003 and 2004.** This increase can be explained largely by the donation of 753 million dollars to the Global Alliance for Vaccine and Immunization (GAVI) and its financial branch, the Vaccine Fund, based in Washington D.C.

- *The sectorial priorities of the American foundations: health, education and basic social services*

Education, health and basic social services emerge as the three sectorial priorities of American philanthropic foundations. Between 1998 and 2002, the amount of funding provided for these actions in the area of health has doubled. Thus **today health receives 31% of international funding provided by American foundations.** Education and the environment come in second, each receiving 8% of total international contributions from American foundations.

- *International financing provided by American foundations often goes through Northern countries, especially Europe, receiving 30% of the contributions*

Aid from American foundations is very concentrated (90%) on four geographical zones: Asia/Pacific (23%), Western Europe (22%), Latin America (18%) and Sub-Saharan Africa (18%). **In 2002, 71% of the funding allocated to Western Europe was earmarked for the implementation of international programs orchestrated by international organizations or research institutions based in Europe but which benefited developing countries.** Thus Western Europe provides an area of and institutions for intermediation which are appreciated by American foundations for the implementation of actions for development in Southern countries. Between 1998 and 2002 this funding increased from 48 to 121 million dollars. **In 2004, approximately 30% of the total aid provided by the foundations was funneled through Europe.** Also noteworthy is the fact that only 1.5% of the contributions made by the 12 selected foundations went to North Africa or the Middle East. In terms of geographical priorities, aid provided by American

foundations seems to be uncoupled from the financial flows of American Official Development Assistance.

- *The choice of recipients varies according to the foundation*

There is a distinction between one group of foundations, which frequently uses Northern institutions and organizations, and a second one that favors organizations located in Southern countries as aid recipients. **The Gates, Hewlett, Packard Foundations and the Rockefeller Brothers Fund tend to fall into the first category of foundations which work with Northern organizations.** In the second group, **the Ford, Kellogg, Rockefeller, MacArthur, Mott, Carnegie and Soros Foundations favor direct partnerships with “Southern” institutions.** The foundations that prefer to use Northern organizations as vehicles are looking for the expertise and know-how for the implementation of specialized programs, those dealing with medical or pharmaceutical research, for example. When the foundations choose non-American recipients, this aid can become very concentrated geographically speaking: in 2003 and 2004, the Kellogg Foundation divided 90% of its aid between two zones, Africa and Latin America. The Carnegie Corporation of New York and the Mellon Foundation chose Sub-Saharan Africa. Other foundations, like the Hewlett, Ford or MacArthur Foundations, concentrate on global issues and are active throughout the world. Lastly, the analysis shows two distinct groups within the foundations: those which target, through their funding, “political” objectives (democratization, supporting civil society) and those that seek to promote basic services and provide Global Public Goods, such as education, health or the protection of the environment.

- *Industrialized and emerging countries are the preferred recipients of foundation aid*

The ten main recipient countries of foundation aid receive more than 60% of international assistance from the 12 foundations that are the focus of the study. **The first country on the list of recipients is Switzerland, which shows the propensity of foundations to work with international organizations or development institutions located in the Northern hemisphere.** Funding from the Bill and Melinda Gates Foundation to the World Health Organization and other medical research institutions thus represents 95% of the financing allocated by American foundations to Switzerland. **In 2004, the second recipient of funding from American foundations was South Africa, which received some 50 million dollars in donations, or 8.6% of the foundations’ aid.**

2003				2004			
	Grants (in millions of dollars)	%	Rank		Grants (in millions of dollars)	%	Rank

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*For further information concerning this study, please contact Mr. Benoît Chervalier at the German Marshall Fund of the United States ([bchervalier@gmfus.org](mailto:bchervalier@gmfus.org)) and Mr. Joseph Zimet at the Agence Française de Développement ([zimetj@afd.fr](mailto:zimetj@afd.fr)). The analyses and conclusions presented in the study are those of its authors.*

<b>Switzerland</b>	84.06	16.1	1	<b>Switzerland</b>	131.63	22.7	1
<b>England</b>	43.93	8.4	2	<b>South Africa</b>	49.73	8.6	2
<b>Canada</b>	37.85	7.2	3	<b>England</b>	39.79	6.9	3
<b>South Africa</b>	36.23	6.9	4	<b>India</b>	30.32	5.2	4
<b>India</b>	34.99	6.7	5	<b>Mexico</b>	21.97	3.8	5
<b>Mexico</b>	25.22	4.8	6	<b>Nigeria</b>	21.95	3.8	6
<b>Brazil</b>	22.23	4.3	7	<b>Brazil</b>	21.57	3.7	7
<b>Kenya</b>	17.96	3.4	8	<b>Canada</b>	19.29	3.3	8
<b>Poland</b>	17.01	3.3	9	<b>Australia</b>	16.50	2.8	9
<b>Russia</b>	16.36	3.1	10	<b>Russia</b>	15.51	2.7	10

List of the top ten receiving countries of international aid from American philanthropic foundations, in millions of dollars (source: The Foundation Center)

- *The Least Developed Countries, missing from the foundations' geographical priorities?*

While the “emerging” countries are the favored targets of the foundations’ international programs, none of the Least Developed Countries (LDCs) is among the ten main recipients of this aid. In fact there are only five LDCs on the list of the top fifty recipients of foundation aid. Emerging countries, like China, South Africa, India or Mexico, on the other hand, receive 60% of this funding. The low percentage allocated to the LDCs shows the reluctance of the foundations to venture directly into uncertain geographic areas that are also undergoing political and economic upheavals. This is why NGOs or International Organizations are often chosen as intermediaries to operate within these areas, judged to be complex by the American foundations.

### **3. International action by the American foundations converges with the broad orientations of the Millennium Development Goals, but the MDGs do not determine the foundations’ strategies**

*Out of the Millennium Development Goals, MDG 6—combating HIV/AIDS, malaria and other diseases—and MDG 7—ensuring environmental sustainability—are more readily endorsed by the foundations and those which are the most willingly financed by their sectorial programs. MDG 8—developing a global partnership for development—is the second choice of the 12 principal foundations questioned in this study, thus showing a good degree of openness to partnerships with other development actors.*

- *American foundations claim to have a certain “strategic convergence” with the Millennium Development Goals*

In 2004, **80% of the foundations questioned by the Foundation Center<sup>6</sup> stated that their sectorial priorities could hew closer to one or several of the goals identified by the United Nations as the Millennium Development Goals (MDGs)**. Lastly, 80% of the foundations also stated that they were undertaking actions that dealt with at least one of the MDGs. Out of the MDGs, 56% of the foundations questioned said they were involved with MDG 7, “ensuring environmental sustainability,” and 52% said MDG 6, “combating HIV/AIDS, malaria and other diseases” was on their list of priorities. In the order of thematic priorities, the next Goals are MDG 3, “promoting gender equality and empowering women,” MDG 2, “achieving universal primary education,” MDG 1, “eradicating extreme poverty and hunger,” MDG 5, “improving maternal health,” MDG 4, “reducing child mortality” and MDG 8, “developing a global partnership for development.”

- *Development Assistance is a priority for the questioned foundations, but the Millennium Development Goals do not have an impact on their sectorial strategies*

The priorities of the 12 main foundations polled as part of the study differ slightly from those identified by the survey conducted by the Foundation Center. While more than two thirds of the 12 questioned foundations felt that Development Assistance was a priority, slightly more than half of them did not see the MDGs as having a direct influence on how their programs were developed nor on how their international philanthropic activities were carried out. The ranking in order of importance of the Millennium Development Goals for the 12 main foundations differs slightly from the ranking established by the sector as a whole. For these foundations, more oriented towards the international level, combating HIV/AIDS and other infectious diseases (MDG 6) is the main priority, immediately followed by implementing a global partnership for development (MDG 8), promoting gender equality and empowering women (MDG 3), ensuring environmental sustainability (MDG 7), reducing child mortality (MDG 4), improving maternal health (MDG 5), eradicating extreme poverty and hunger (MDG 1) and finally achieving universal primary education (MDG 2).

<b><i>Graph 3.18: Top US Foundations— Question: International Development as a Top Priority?</i></b>	<b><i>Graph 3.19: Top US Foundations— Question: MDGs as major influencing factor?</i></b>
Strongly Disagree 15%	Strongly Disagree 15%

<sup>6</sup> Foundation Center, “International Grantmaking III, an Update on U.S. Foundation Trends,” 2004

Slightly Disagree	8%	Slightly Disagree	54%
Not Sure	0%	Not Sure	8%
Slightly Agree	39%	Slightly Agree	23%
Strongly Agree	38%	<b>Strongly Agree</b>	<b>0%</b>

Degree of support of American foundations for mobilization in favor of development and of the Millennium Development Goals as factors that influence their programs.

#### 4. International contributions by American philanthropic foundations show convergences and divergences with Official Development Assistance (ODA) of the main contributing countries of the OECD

*International aid from American foundations is based on criteria unique to the American philanthropic sector and does not appear to be influenced by those factors that determine Official Development Assistance (ODA) of the OECD countries.*

*Despite real sectorial convergences (health and the fight against HIV/AIDS) and geographic convergences (Sub-Saharan Africa), American philanthropic foundations show significant strategic divergences with American Official Development Assistance. American foundations and European bilateral donors, on the other hand, have a number of real strategic affinities, underpinned by veritable operational partnerships for the implementation of aid in developing countries. American foundations in fact frequently call upon their European partners (Development Institutions, International Organizations, NGO's) for their expertise and know-how in terms of implementing aid in the developing countries.*

- *The significant increase of ODA in the OECD countries is largely the result of debt cancellations while the foundations' aid remains a "real" contribution for Southern countries*

**International funding by foundations (which reached three billion dollars in 2004) follows "real" ODA only insofar as it is made only in the form of net operational financial allocations. ODA in the OECD countries rose by 31,4% in 2005 to reach 106,5 billion USD, but "real" ODA from DAC countries (thus excluding debt cancellations and other budgetary mechanisms that are part of the official ODA calculations) is much weaker, and makes the global amount allocated by the foundations more significant.**

- *International aid from American foundations does not respond to the same determining factors that Official Development Assistance from the OECD countries does*

While Official Development Assistance (ODA) from the main contributing countries of the OECD is influenced by both economic and political factors, private aid from American philanthropic foundations is linked solely to economic factors. **American foundations are in fact more sensitive to the performance of financial markets while Development Assistance from OECD donor countries responds more to budgetary factors.** Moreover, US Development Assistance seems more closely linked to issues of national security while aid from other OECD contributing countries and **“private” aid from the foundations that are the focus of this study seem to be linked to global issues (Millennium Development Goals, Global Public Goods) and to the international agenda.** However, even though the Assistance Development policies of certain OECD countries are significantly determined by the Millennium Development Goals, the foundations tend to set their agendas themselves, despite strategic convergence with certain goals identified within the MDGs.

- *Private foundation aid and American Development Assistance in perspective: sectorial and geographic convergences, strategic differences*

American foundations **generally seem to respond to different geopolitical priorities from those that orient American Official Development Assistance.** An example of this is the extreme weakness of the foundations’ contributions for North Africa and the Middle East, although these are currently American Development Assistance priorities in terms of geographic allocation. The foundations also have little interest in capacity building for “weak States,” despite the fact that this is also an important priority for the US government and its aid policies. In terms of sectorial priorities, there is a strong convergence in the area of health between the American philanthropic foundations and American Development Assistance. However, the motivations behind this sectorial priority appear to be different. For the United States, the fight against the HIV/AIDS pandemic, other infectious diseases and other infectious threats falls within the framework of national security. For philanthropic foundations, the priority of financing international action in the area of health seems to be more closely linked to a Global Public Good, or to priorities belonging to the international Agenda. While American public and “private” aid both demonstrate the same degree of implication and intensity in the fight against HIV/AIDS, the two parties are motivated by different factors. In much the same vein, American Official Development Assistance has shown increased interest in Sub-Saharan Africa since September 11, 2001. This area is also the first region that receives direct support from the foundations. Here again, although there is a strong convergence, the priority of the philanthropic foundations to finance development programs in Sub-Saharan Africa is due less to national security (“fragile” States, post-conflict, “failed” States, etc.) than to the fight against poverty. **As with the fight against HIV/AIDS, the priority financing for Sub-Saharan Africa is a convergence, one of a geographical nature, even if the motivations behind this commitment vary according to the actors.**

- *The foundations' international actions compared with other contributing countries of the OECD*

For OECD countries other than the United States, mainly for European bilateral donors, the importance of “global issues” and the Millennium Development Goals in particular determine aid policies more than national security priorities, as seems to be the case in the United States and to a lesser degree in Japan. In this perspective, **American philanthropic foundations are operating in the strategic wake of the European bilateral donors.** A large part of the foundations' aid is channeled through Europe, showing the high degree of openness that American foundations have for their operational partners in European development institutions or organizations. One of the characteristics of the foundations is in fact their degree of openness to foreign partners, especially European ones, to whom they turn for expertise and know-how in the area of research. Finally, in unison with France, Germany, Great Britain and Japan, the philanthropic foundations are supporting the major international organizations such as the UN, the WHO, UNESCO, UNEP, the UNDP or UNCTAD, as well as regional organizations that work in favor of development like NEPAD. The propensity of the foundations to work with European organizations should continue in the future. More than 65% of those foundations surveyed said that they were open and willing to work with Europe in order to forge new partnerships for development.

## Conclusion

Philanthropic foundations are unique actors, guided by a very strong culture of independence, innovation and risk-taking.

The first interventions by philanthropic foundations in the area of international cooperation for development date back to the 1920's, with ground-breaking action in the public health sector undertaken by the Rockefeller Foundation in developing countries. However, it is with the help of the recent increase of their international contributions for development that American philanthropic foundations have been able to establish themselves as new, influential actors on the international scene in the area of Aid for developing countries.

Through its international cooperation strategies for development, American private philanthropic aid favors supporting Northern development institutions, which subsequently act for the benefit of developing countries. When they work directly with Southern countries, the foundations clearly prefer to do so with “emerging” countries. International organizations and development institutions in the North play an important role in the implementation of foundation aid in the Least Developed Countries. European organizations play an important role as go-betweens, which have shown that there are solid affinities shared on both sides of the Atlantic by the American and European philanthropic sectors.

While American philanthropic foundations have shown a number of solid points of strategic convergence with the Millennium Development Goals, the Goals have relatively little influence on the development of international strategies and programs by the foundations.

Private aid from American foundations at times converges with certain Official Development Assistance orientations of the United States of America, notably in the clear priority to fight against HIV/AIDS and their renewed commitment in Sub-Saharan Africa. Some of the objectives that underpin the strategic orientations differ, however, such as the non-intervention of the foundations in certain geographic areas (North Africa and the Middle East), seen as priorities by the American authorities.

Private aid from philanthropic foundations is fairly close, in terms of orientations and strategies, to that of European bilateral donors. Thanks to an original circuit, the American philanthropic sector and European development institutions act together to benefit the developing countries. The foundations are thus important actors in the transatlantic dialog between the United States and Europe.