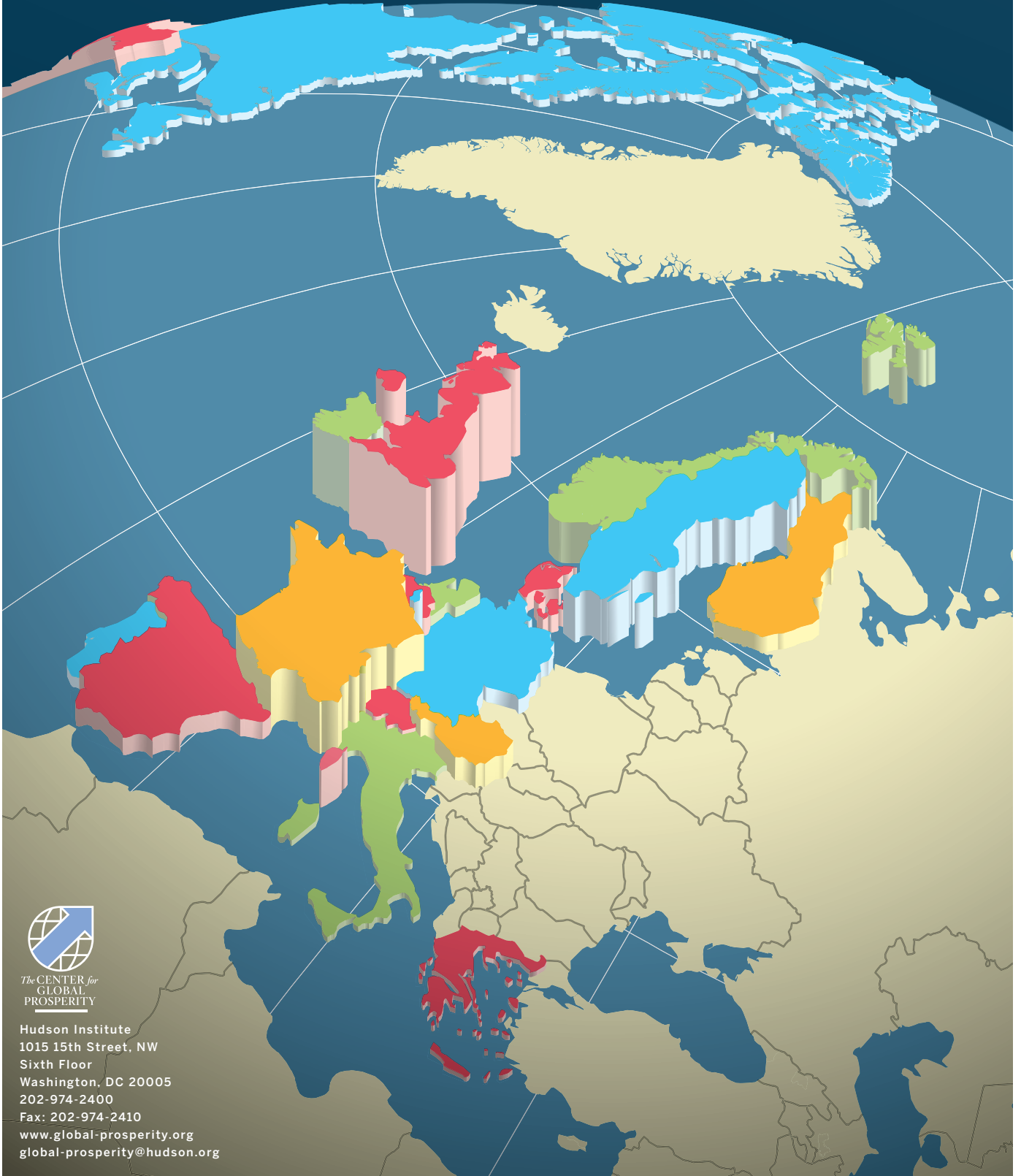


The Index of Global Philanthropy and Remittances 2010

EXECUTIVE SUMMARY

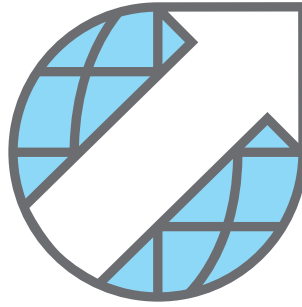
A COMPREHENSIVE GUIDE TO THE SOURCES AND MAGNITUDE OF GLOBAL GIVING TO THE DEVELOPING WORLD

Published by the Hudson Institute's Center for Global Prosperity



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GLOBAL
PROSPERITY

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The CENTER for GLOBAL PROSPERITY

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Carol Adelman directs Hudson Institute's Center for Global Prosperity, publishing the *Index of Global Philanthropy and Remittances*, the sole comprehensive guide to all private giving—both philanthropy and remittances—to the developing world. She writes and speaks regularly on economic development, foreign aid, global philanthropy and international health. Dr. Adelman served as Vice Chair of the Advisory Committee on Voluntary Foreign Aid (ACFVA) to the U.S. Agency for International Development, the official aid program of the U.S. Government. Previously she was Vice Chair of the U.S. Government HELP Commission, a bipartisan appointed commission to reform foreign aid. As Assistant Administrator of USAID from 1988 to 1993, she ran aid programs in Asia, the Middle East, and Central and Eastern Europe. Dr. Adelman has been published widely, including in the *New York Times*, the *Wall Street Journal*, *Foreign Affairs*, the *International Herald Tribune*, *Harvard International Review*, the *Lancet*, and the *British Medical Journal*, as well as editing a book, *International Regulation: New Rules in a Changing World Order*. She appears on national radio and television, including CNN, PBS, Fox News and C-Span. She is past president and board member of Capital Partners for Education, a charity that provides scholarships and mentors to low-income children in the Washington, DC, area. Her doctorate and master's in public health are from the Johns Hopkins University; her master's degree in foreign service from Georgetown University; and her bachelor's degree in political science and German, from the University of Colorado and Bonn University in Germany.

THE CENTER FOR GLOBAL PROSPERITY

The Center for Global Prosperity (CGP) provides a platform—through conferences, discussions, publications, and media appearances—to create awareness among U.S. and international opinion leaders, as well as the general public, about the central role of the private sector, both for-profit and not-for-profit, in the creation of economic growth and prosperity in the developing world. The CGP's core product is the annual *Index of Global Philanthropy and Remittances*, which details the sources and magnitude of private philanthropy and remittances going from developed to developing countries. The *Index* reframes the discussion about the roles of the public and private sectors in foreign aid by showing that the full scale of a country's generosity is measured not just by government aid, but by private giving as well. In addition to documenting private giving data, the *Index* includes real-life examples of private philanthropy and volunteerism, as well as successful public-private partnerships, that illustrate the vital bridges being built between the industrialized and developing worlds. The partnerships are based on people-to-people programs, local ownership, results, accountability, and lasting institutions. The CGP supports free societies, including private capital markets, the rule of law, government transparency, free trade and press, human rights, and private property—prerequisites for economic health and well-being. Empowering people to take care of themselves will lead to open markets and open societies essential for sustaining economic growth and democratic freedoms in developing countries.



GLOBAL PHILANTHROPY AND REMITTANCES

Resilience in Tough Times

As in all sectors of the economy across the world, the recession that officially began in 2008 has had a broad impact on international philanthropy, decreasing some flows while highlighting the importance of more resilient flows. The recession has also caused individuals and institutions to be more creative in their giving and is bringing about innovation that may help wring inefficiencies out of traditional giving models.

As a result of the recession, private capital flows from developed to developing countries fell from \$325 billion in 2007 to \$121 billion in 2008, the latest year for which data are available, which undoubtedly had a major impact on developing countries' economies. However, foreign direct investment (FDI), the segment of private capital flows that has the most long-term impact on emerging economies, was the least affected of the four types of private capital flows (FDI, private export credits, securities of multilateral agencies, and bilateral portfolio investment). FDI fell from only \$189 billion to \$178 billion in 2008. There are also indications that the worst of the crisis has passed for developing countries. Private capital flows have already begun a recovery in the last three quarters of 2009 and the beginning of 2010.

As private capital flows fell in 2008, philanthropy and remittances remained some of the most important sources of funding for much of the developing world. Even though individuals and

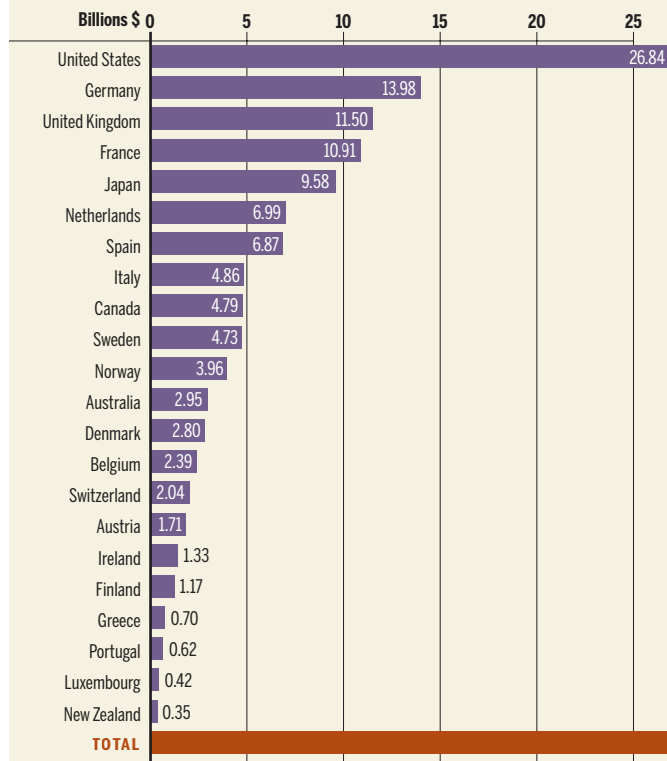
institutions in the developed world faced recession in 2008, their private giving, through philanthropy and remittances, once again outpaced government spending. Private philanthropy and remittances from the developed to the developing world were \$233 billion compared to government aid of \$121 billion. As predicted in last year's Index, remittances from all countries to developing countries have remained a remarkably resilient economic flow during the global recession.

As the response to the January 2010 earthquake in Haiti illustrated, global generosity seems to know no bounds. Americans alone gave \$774 million dollars within the first five weeks of the earthquake. The generous response was also faster than ever thanks to text messaging technology, which allowed the Red Cross to raise an unprecedented \$32 million in \$10 donations sent via text message.

Official development assistance (ODA) rose to \$121 billion from all DAC donor nations in 2008, representing an increase of 11.7% over 2007 (Figure 1). Official aid is still outpaced by the combined flows of philanthropy and remittances, which together amount to \$233 billion. Government leaders and multilateral institutions are recognizing that the aid architecture has changed and philanthropy is a widely recognized resource in international development. Global leaders are encouraging public-private partnerships to leverage resources of their governments. U.S. Secretary of State Hillary Rodham Clinton acknowledged: "The

Figure 1

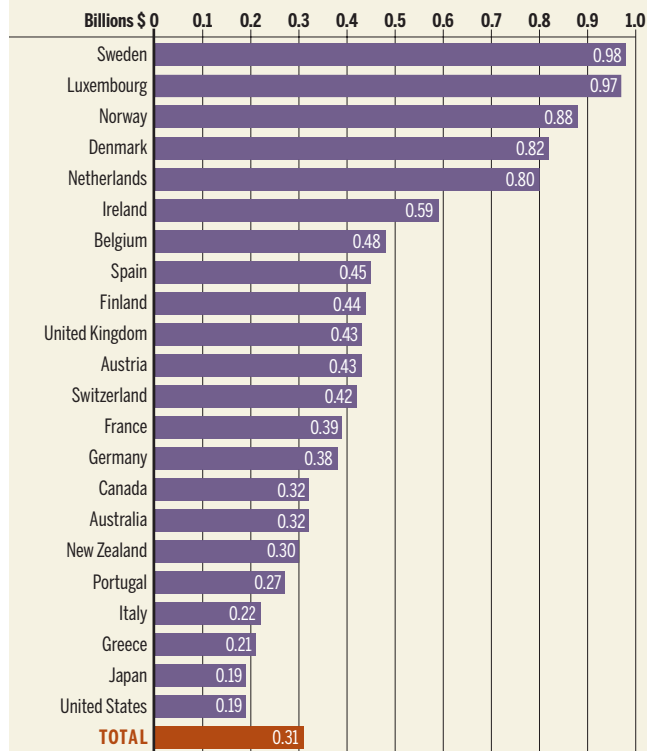
Net ODA in Billions of \$, 2008



Source: OECD, Development Co-operation Report 2010.

Figure 2

Net ODA as a Percentage of GNI, 2008



Source: OECD, Development Co-operation Report 2010.

problems we face today will not be solved by governments alone. It will be in partnerships — partnerships with philanthropy, with global business, partnerships with civil society.”

In 2008, ODA flows reached the highest volume recorded to date (Figure 2). As in 2007, only five countries (Sweden, Luxembourg, Norway, Denmark, and the Netherlands) exceeded the Monterrey target of allocating 0.7% of GNI to aid budgets in 2008. These nations’ ODA amounted to \$18.9 billion, or 16%, of total DAC assistance. The United States remains the largest contributor of ODA by volume, with \$26.8 billion in 2008. Germany, the United Kingdom, France, and Japan follow and, with the United States, remain the top five contributors of ODA by volume in 2008. Total ODA for these five nations increased by \$11 billion from 2007 to 2008 and amounted to \$72.8 billion, or 60% percent, of total DAC assistance.

U.S. ODA increased by

20.5% in real terms (accounting for both inflation and

exchange rate movements) from 2007. While this did not change the U.S. ranking in the ODA to GNI ratio, as the largest donor in absolute amounts of ODA, U.S. government aid in 2008 was nearly twice the amount of Germany, the next highest donor. The increase in ODA from the United States occurred in all regions of the world. The least developed countries saw the largest increase in aid from the United States—a 43.2% increase to \$7 billion. Regionally, United States aid to Africa rose the most by an estimated 43.5% to \$6.7 billion.

The problem with judging countries’ generosity and development impact by the measure of government aid alone is that the figure excludes the vast amounts of private giving from American foundations, corporations, private and voluntary organizations (PVOs), universities and colleges, religious organizations and individuals sending money back to their home countries. A more complete way of measuring donor impact on the developing world is to look at a country’s total economic engagement—including official flows, philanthropy, remittances, and private capital flows—with developing countries. Table I provides this more complete picture of American investment and generosity in the developing world.

The most apparent change from 2007 numbers is the significant decline in U.S. private capital flows to developing countries. In 2007, these flows accounted for the largest portion of U.S. economic engagement, amounting to \$97.5 billion in outflows, which was a 56% increase from the previous year. In 2008, private capital flows were hit so hard by the banking crisis and global recession

that the United States received more inflows from developing countries than outflows, totaling \$28.8 billion. For this reason, Table 1 below separates financial flows into outflows from the United States to developing countries and inflows into the United States from developing countries.

Philanthropy from the United States to developing countries—which includes contributions from foundations, corporations, PVOs, individual volunteers, religious organizations and colleges and universities—held steady at \$37.3 billion compared to \$36.9 billion in 2007, and exceeded official U.S. aid by more than \$10 billion. As with last year, PVOs accounted for the largest portion of U.S. philanthropy going overseas at \$11.8 billion.

Remittances from individuals, families, and hometown associations in the United States going to developing countries reached an estimated \$96.8 billion in 2008, the largest outflow from the United States into developing countries. This is more than three and a half times larger than official U.S. government aid and 60% of the total U.S. outflows.

Table 1

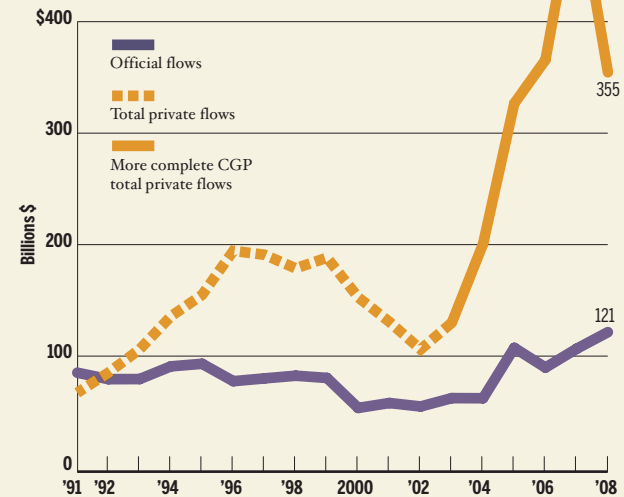
U.S. Total Net Economic Engagement with Developing Countries, 2008

	Billions of \$	%
OUTFLOWS		
U.S. Official Development Assistance	\$26.8	17%
U.S. Private Philanthropy	\$37.3	23%
Foundations	\$4.3	12%
Corporations	\$7.7	21%
Private and Voluntary Organizations	\$11.8	32%
Volunteerism	\$3.6	10%
Universities and Colleges	\$1.7	5%
Religious Organizations	\$8.2	22%
U.S. Remittances	\$96.8	60%
Total Outflows	\$160.9	100%
INFLOWS		
U.S. Private Capital Flows	\$28.8	100%
Total Inflows	\$28.8	100%
U.S. Total Net Economic Engagement	\$132.1	

Sources: OECD; Hudson Institute's remittances calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittances Team, 2009; Hudson Institute, 2010.

Figure 3

Total Official and Total Private Flows—Philanthropy, Remittances, Investment—from OECD Donor Countries to Developing Countries, 1991-2008 (Billions of \$)



Source: OECD; Hudson Institute's remittance calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittances Team, 2009; Hudson Institute, 2005-2010.

As some of the most steady and reliable flows to developing countries, philanthropy and remittances must be accurately measured and included when measuring all assistance flows.

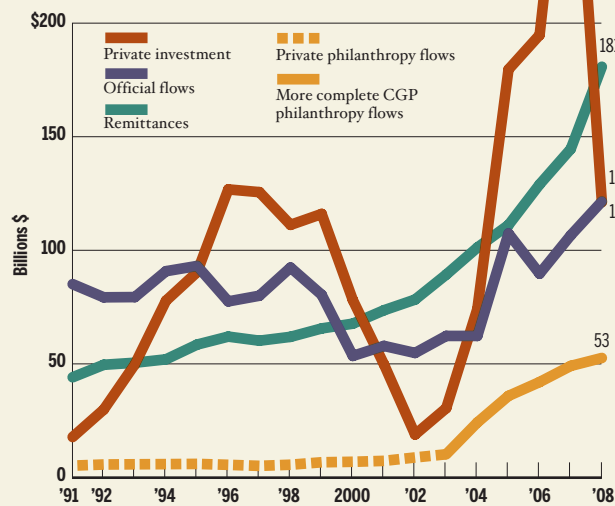
When ODA from the United States is measured as a percentage of GNI, the United States shares last place with Japan at 0.19%, as shown in Figure 2. If, however, private philanthropy and remittances are added to the equation, the United States ranks in sixth place out of the 22 donor countries. U.S. private assistance alone compares favorably to other DAC donor's ODA. For example, American citizens, through contributions of volunteer time and money to U.S. PVOs, gave more to the developing world in 2008 than any other DAC donor gave in ODA alone. Total U.S. philanthropy at \$37.3 billion represented nearly one third of all donors' ODA.

In Index 2009, we reported that in 2007 private capital flows were the largest portion of private flows to developing countries. These flows declined significantly in 2008. The main reason for this drop is not a result of a large decrease in foreign direct investment, but due to a decline in bilateral portfolio investment. The banking crisis caused many lending institutions to pull their short-term investments out of developing countries and decrease their lending activities, causing an overall decline in capital flows. As we see in Figure 3, the three private financial flows—philanthropy, remittances, and private capital investment—from all donor countries amounted to \$355 billion in 2008, almost three times larger than ODA alone. Figure 3 shows the magnitude of the difference between private and public flows to the developing world over the last 15 years. Seventy five percent of all DAC donors' total economic engagement with the developing world is through private financial flows.

Despite the volatility of capital flows, remittances and philan-

Figure 4

Official, Private Investment, Philanthropic, and Remittance Flows from OECD Donor Countries to Developing Countries, 1991-2008 (Billions of \$)



Source: OECD; Hudson Institute's remittances calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittances Team, 2009; Hudson Institute, 2005-2010.

thropy remained stable, and when combined, greatly outnumber official flows. As seen in Figure 4, which provides a breakdown of the different types of private flows, comparing them to public flows over the last 15 years.

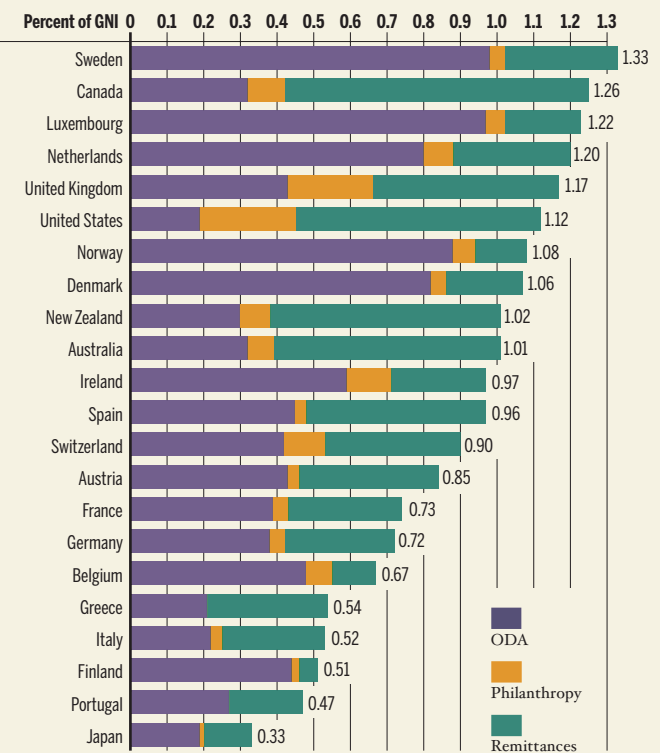
The OECD and the international community at large focus only on official flows when making cross-country comparisons. Since ODA is an incomplete measure of what a country gives to the developing world, it is more helpful to compare donors on the basis of all financial aid—ODA, philanthropy, and remittances. Figure 5 compares donors by these three flows as a percentage of GNI. The United States, United Kingdom, and Canada rank higher when all three flows are calculated.

At present DAC donor countries report incomplete private philanthropy numbers to the OECD. Their calculations are incomplete, often based on voluntary and outdated surveys of charities only. This fails to fully capture giving by corporations, foundations, and religious organizations, and excludes estimates for volunteer time. The U.S. government is aware of the inadequacies of the private giving number it reports to the OECD. At the same time it has acknowledged in publications and official presentations the improved giving number developed by the research institutions with whom the Hudson Institute collaborates. In the absence of a decision on using improved numbers, the U.S. Government continues to submit an incomplete number which undervalues U.S. philanthropy by \$20 billion.

In an effort to better measure private giving in other donor countries, the Hudson Institute's Center for Global Prosperity (CGP) has started international partnerships with organizations across the developed world. In 2009, the CGP was able to provide larger and more accurate private giving numbers for two ad-

Figure 5

Total Assistance from OECD Donor Countries to Developing Countries: ODA, Philanthropy and Remittances as a Percentage of GNI, 2008



Source: OECD, *Development Co-operation Report 2010*; Hudson Institute's remittance calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittance Team 2009; Stein Brothers, AB, Scandinavia 2009-2010; Charles Sellen, France, 2008-2009 and VU University Amsterdam Department of Philanthropy, Netherlands, 2009; Istituto per la Ricerca Sociale, Italy, 2009; Le Cercle de Coopération des OND de Développement, Annual Report, Luxembourg, 2009; Vrije Universiteit Amsterdam, Geven in Nederland 2009, Netherlands, 2009; Council on International Development, Annual Report, New Zealand, 2009; Plataforma Portuguesa das ONGD, Annual Report, Portugal, 2009; Coordinadora de ONG Para El Desarrollo Espana, Informe de La Coordinadora de ONG Para El Desarrollo-Espana Sobre El Sector De Las ONGD, Spain, 2009; GuideStar Data Services, United Kingdom, 2009; Center for Global Prosperity, United States, 2009-2010.

ditional countries. This year, through our own research and that of our partners, the Index provides improved data and trends for 14 of the 22 DAC donor countries: Denmark, Finland, France, Italy, Luxembourg, Norway, the Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

The 14 countries for which the CGP was able to compile more complete numbers reported total private giving of only \$19 billion to OECD in 2008. CGP research partners, however, found \$48 billion in total private giving from these countries for the same year, more than doubling the underreported numbers published by the OECD.

What is clear from these numbers is that developed countries provide far more to the developing world through private actors than through government aid. Private investment, remittances, and private philanthropy far exceed ODA. This reflects the diverse, new world of international development where for-profits, nonprofits, religious organizations, universities, families and individuals can and are contributing to economic growth in the developing world.

International Private Giving at Work

Dr. Abhay Bang, co-founder of SEARCH, which received the MacArthur Award for Creative and Effective Institutions for its innovative, healthcare programs in rural India.



MACARTHUR FOUNDATION SPARKING INNOVATION

Few foundations match the worldwide scope and ambition of the John D. and Catherine T. MacArthur Foundation. From global issues such as human rights and sustainable development to domestic concerns in the United States, the foundation has a history of supporting organizations that demonstrate creativity, drive, and vision. Each year, the foundation selects a small group of U.S. and overseas nonprofit organizations that embody these qualities for recognition with the MacArthur Award for Creative and Effective Institutions.

One of the 2006 winners, the Society for Education, Action, and Research in Community Health (SEARCH), demonstrates the blend of cutting edge service delivery and organizational excellence that characterizes the award winners. SEARCH was founded in 1985 by Dr. Abhay Bang and his wife Dr. Rani Bang to address the high rate of maternal and infant mortality in rural India. SEARCH combines innovative, community-based healthcare delivery methods with rigorous research trials of these interventions to influence local and international healthcare delivery.

One of SEARCH's landmark programs was based on a five-year field trial in the Gadchiroli district that found that neonatal mortality could be reduced 62% by training village women to become community health workers. These "barefoot neonatologists," as Dr. Bang calls them, have been trained to diagnose and treat common illnesses in newborns. The program, which is now operating in 40 villages, has resulted in a 70% decline in newborn deaths. This pioneering approach to neonatal care is being implemented throughout India and in other developing countries such as Nepal and Bangladesh.

LAND O' LAKES

DAIRY DIPLOMACY

U.S. Marines are employing an inventive tactic in the war-torn city of Fallujah in Iraq's Anbar province: dairy diplomacy. War has ravaged the area's once thriving dairy industry. Today, only 10% of the region's dairy needs are met by local production. In addition, many widows in the region are poor and underemployed, leaving them mired in poverty. The U.S. Marines, in partnership with the Women's Cultural Center in Fallujah and Land O' Lakes International Development Division, sensed the potential to revitalize the dairy sector in Anbar province and provide sustainable employment to the women of Fallujah.

The Fallujah Widow's Dairy Development Program opened for business in the fall of 2008 when the Marines purchased 50 local cows, 44 of which were pregnant, and distributed them to 50 widows in the Fallujah region. The women sell milk from the cows to a mobile milk collection facility, which provides them with a stable income. In early 2009, Land O' Lakes International Development Division provided training and technical assistance to the women in animal husbandry and milk production, which enabled the women to improve the quality and quantity of the milk, increasing their incomes. In January 2010, the Marines and Land O' Lakes built a centralized milk collection plant to provide local employment opportunities and to allow dairy farmers to pasteurize, package, and distribute milk directly to the local market.

The hope is that not only will the dairy business provide a livelihood for formerly marginalized women, but the income also will allow them to send their children to school, making them more likely to become productive members of society and less likely to be recruited by terrorist organizations. The partners hope to replicate the model in additional regions in Iraq and have received inquiries from individuals and government officials in other cities.

The Fallujah Widow's Dairy Development Project in Iraq is working to restore the dairy industry in war-torn Fallujah.



Through grants to partners in Nepal, Whole Planet Foundation has improved the lives of many poor farmers, including this ginger farmer in Mechi.



WHOLE PLANET FOUNDATION SEEDS OF PROSPERITY

John Mackey knows as well as anyone you have to start somewhere. He was only 25 in 1978 when he started his first business with a loan from his father, co-founding one of the first natural foods stores. Today, Whole Foods Market is one of the most recognizable names in the natural foods business, with sales topping \$5.7 billion and a spot on the Fortune 500 List.

A firm believer in free market principles, Mackey established the Whole Planet Foundation in October 2005 to enable poor entrepreneurs in the developing world to access microcredit loans.

Recently, the Whole Planet Foundation partnered with Mercy Corps, a world-renowned PVO, and the Nirdhan Utthan Bank, a Nepali-owned microfinance institution, to assist poor farmers in the Mechi province of Nepal, which supplies Whole Foods with tea. Whole Planet Foundation has committed \$312,000 over the next three years to Mercy Corps and Nirdhan Utthan Bank to expand access to finance and distribute \$3.5 million worth of loans to 10,000 poor farmers to help them escape the cycle of poverty.

Loans have been provided to 1,344 farmers, including Dilkumari Gole Tamang, a 26-year-old Nepali woman who runs her family's small farm while her husband works as a security guard in Malaysia. She recently joined the Women's Microfinance Group in her village and received a loan of 20,000 Nepalese rupees (about \$260) from the Nirdhan Utthan Bank, which she used to buy ginger seeds and two goats. With her newly acquired resources, she hopes to get a four-fold return from her farm this year. She plans on using the profits to expand her farming business and to buy a cow so she can sell milk. In the long term, she hopes her increased profits will allow her to provide an education for her six-year-old son.

HAGAR INTERNATIONAL

ABANDONED NO MORE

Poverty is abundant and hope is scarce in Cambodia. Some 77 percent of the population lives on less than \$2 a day. With little economic opportunity, desperate Cambodians are easy prey for human traffickers. Hagar International was founded by Pierre and Simonetta Tami, who left their careers in Switzerland in 1991 to follow a spiritual mission in Cambodia. While in Cambodia, Pierre met an impoverished woman on her deathbed who asked him to promise that her children would not suffer the same fate. From this promise, Hagar was born, named in honor of the biblical Hagar who was cast into the desert with her child and rescued by God.

The Tamis opened a shelter for exploited and abandoned women and children in Phnom Penh in 1994 that became the basis for Hagar Cambodia. Hagar employs a social enterprise model that leverages economic empowerment to socially rehabilitate exploited women. Hagar Cambodia's programs include shelters and trauma recovery centers for women and children who have been abused, abandoned or trafficked; education for children; literacy classes and vocational training for adults.

Its largest social enterprise is Hagar Catering, a full-service catering company that had \$1.2 million in revenue in 2008 and includes the U.S. Embassy among its clients. In 2008, Hagar employed 466 people in its three social enterprises in Cambodia.

Hagar's approach has proven highly effective in Cambodia; 80 percent of the women and children taken in are successfully reintegrated into society. Hagar is in the process of replicating its work and holistic rehabilitation model in Afghanistan and Vietnam and is planning to expand into India.

Women working at Hagar Catering, a full-service catering firm staffed by former trafficking victims that helps support Hagar's programs to rehabilitate women and children who have been trafficked.

