

The Index of Global Philanthropy and Remittances 2011

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



*The CENTER for
GLOBAL
PROSPERITY*

Hudson Institute
1015 15th Street, NW
Washington, DC 20005
202-974-2400
www.global-prosperity.org
global-prosperity@hudson.org



The CENTER for
GLOBAL
PROSPERITY

HUDSON
INSTITUTE

DR. CAROL C. ADELMAN

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

Several years into the financial slowdown that has reshaped the global economy, it is clear that private financial flows have proved their staying power in terms of international assistance. Overall, private financial flows to the developing world have remained remarkably stable in the face of economic turmoil. Philanthropy and remittances continue to provide a lifeline to poor people around the world. Despite the continued economic downturn, U.S. private philanthropic giving abroad rose slightly in 2009, increasing by \$200 million from 2008. Remittances declined only marginally, from \$96.8 billion to \$90.7 billion in 2009, as predicted, and are expected to climb in 2010. Private capital investment flows returned to positive territory in 2009 after taking a dramatic downturn in 2008 as a result of the financial crisis.

As we look at trends in private programs, what is most striking is the sophistication of philanthropic partnerships, including cutting edge technology-based solutions as featured in two of our success stories this year, Question Box and Kilimo Salama. In Latin America, Lumni has developed a unique way of financing higher education through private capital. This creativity is partly due to the increase in social entrepreneurs in foreign aid, who are redefining philanthropy just as philanthropy has redefined government aid.

There is increasing recognition that the attributes fostered by private giving — results, transparency, grass-

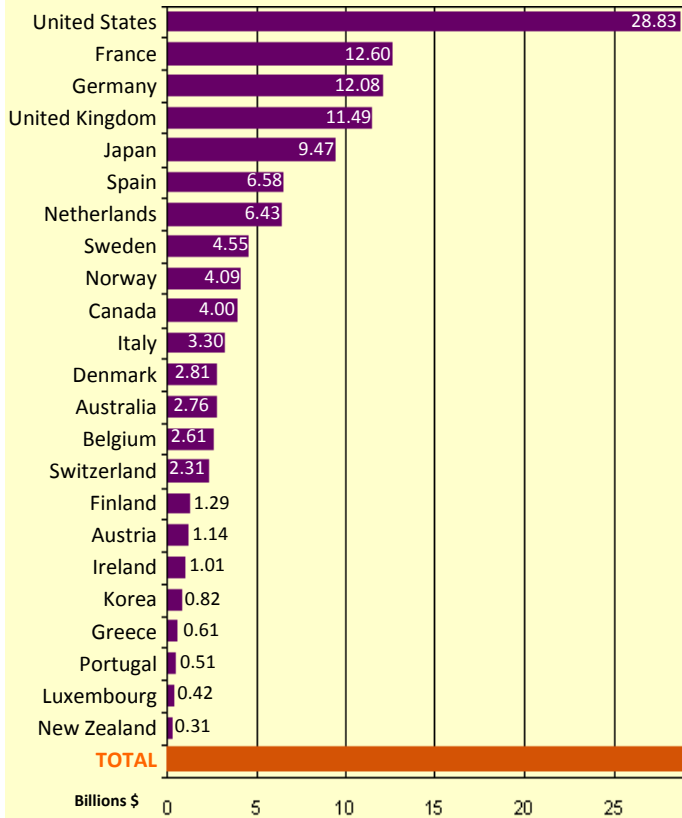
roots involvement, and creating lasting institutions — are being embraced by the international development community. In January, USAID Administrator Rajiv Shah announced a new direction for the international development agency, saying, “This agency is no longer satisfied with writing big checks to big contractors and calling it development.” He vowed to accelerate funding to nongovernmental organizations and local entrepreneurs, calling them “change agents who have the cultural knowledge and in-country expertise to ensure assistance leads to real local institutions and lasting, durable growth.”

In 2009, Official Development Assistance (ODA) from all OECD Donor Assistance Committee (DAC) nations amounted to \$120 billion, which was an increase of less than 1% in real terms from \$122.4 billion in 2008 (Figure 1). While overall ODA remained steady, some countries did have large drops in their government foreign assistance. For example, Italy’s aid decreased from \$4.9 billion in 2008 to \$3.3 billion in 2009, a 31% drop in real terms. Likewise, Ireland faced significant economic turmoil and decreased its aid package from \$1.3 billion to \$1.0 billion in 2009, an 18% drop. In 2009, the OECD also added a new DAC member, South Korea, which provided \$816 million in ODA to developing countries.

As seen in Figure 1, total U.S. ODA was \$28.8 billion in 2009, a 6.1% increase in real terms from 2008. While there was only a slight increase in U.S. aid, the decrease

Figure 1

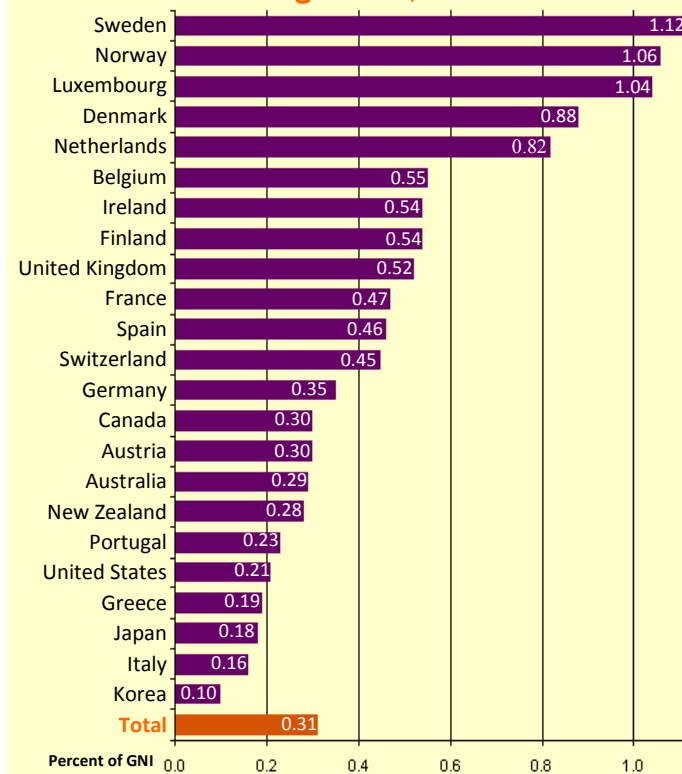
Net ODA in Billions of \$, 2009



*Variation due to rounding
Source: OECD, Statistical Annex for Development Co-operation Report 2011.

Figure 2

Net ODA as a Percentage of GNI, 2009



Source: OECD, Statistical Annex for Development Co-operation Report 2011.

in aid from economically hard hit European Union countries like Ireland, Italy, and Greece improved the relative standing of the United States among DAC countries. Whereas the United States was last in ODA as a percentage of GNI in 2008, it ranks fifth from the bottom in 2009 (Figure 2). The United States however, remains the highest net donor of aid in absolute dollar amounts, providing more than twice the amount of the next highest donor, France. As in 2008, only five countries reached the 0.7% GNI United Nations ODA target. These countries, Denmark, Luxemburg, Netherlands, Norway, and Sweden, are the same five that reached this target last year. These nations' ODA amounted to \$18.3 billion, or 15% of total DAC assistance.

As the *Index of Global Philanthropy and Remittances* has shown over the years, government aid is no longer the only player in global poverty programs, and ODA is no longer the sole measurement of a country's generosity. U.S. private philanthropy, remittances from migrants living in the United States to their home countries, and private capital flows each exceed U.S. ODA.

The more complete way of measuring donor involvement with the developing world is to look at a country's total economic engagement – including official aid, philanthropy, remittances, and private capital flows. Table 1 provides this more complete picture of American investment and generosity to the developing world.

Last year's *Index* reported a significant decline in U.S. private capital flows to developing countries, resulting in a greater inflow of capital flows than outflows, and thus a negative value. This decline in 2008, at the beginning of the global recession, was largely a result of a drop in bilateral portfolio investments brought on by the banking crisis. In 2009, overall investment returned to positive flows of \$69.2 billion and made up the second largest U.S. financial flow to developing countries after remittances.

In the second year of the recession, philanthropy from the United States to developing countries actually increased slightly, totaling \$37.5 billion in 2009 compared to \$37.3 billion in 2008. This tracks with data from Giving USA, which reported that while overall U.S. giving declined 3.6%, international giving increased by 6.2% in 2009. U.S. philanthropy consists of contributions from foundations, corporations, private and voluntary organizations (PVOs), individual volunteers, religious organizations, and universities and colleges. PVOs accounted for the largest portion of U.S. philanthropy, followed by corporations and religious organizations. In 2009, U.S. philanthropy to developing countries ex-

Table 1

U.S. Total Net Economic Engagement with Developing Countries, 2009

	Billions of \$	%
U.S. Official Development Assistance	\$28.8	13%
U.S. Private Philanthropy	\$37.5	17%
Foundations	\$4.6	12%
Corporations	\$8.9	24%
Private and Voluntary Organizations	\$12.0	32%
Volunteerism	\$3.0	8%
Universities and Colleges	\$1.8	5%
Religious Organizations	\$7.2	19%
U.S. Remittances	\$90.7	40%
U.S. Private Capital Flows	\$69.2	31%
U.S. Total Economic Engagement	\$226.2	100%*

*Variation due to rounding
 Sources: OECD; Hudson Institute's remittances calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittance Team, 2010; Hudson Institute, 2011.

ceeded U.S. official government aid by almost \$9 billion.

Remittances from individuals, families, and hometown associations in the United States going to developing countries reached an estimated \$90.7 billion in 2009, a slight decrease from \$96.8 billion in 2008. Despite the decrease, remittances still make up the largest financial flow from the United States to developing countries. They are more than three times larger than official U.S. aid and 40% of total U.S. financial flows to the developing world.

Financial flows such as philanthropy and remittances must be accurately measured and included when assessing countries' generosity to the developing world. When private philanthropy and remittances are added to ODA, the United States moves from nineteenth to eighth place among the 23 DAC donor countries when comparing countries by ODA as a percentage of GNI. At \$37.5 billion, U.S. philanthropy to developing countries, however, far exceeds other donors' philanthropy to developing countries in absolute dollars. It is also larger than any other donor's ODA.

In *Index 2010*, we reported the large drop in private capital flows from developed to developing countries due to the financial crisis in 2008. In 2009, these private capital flows improved and almost doubled in size to \$228 billion, once again making up the largest financial flow from all developed to developing countries. Com-

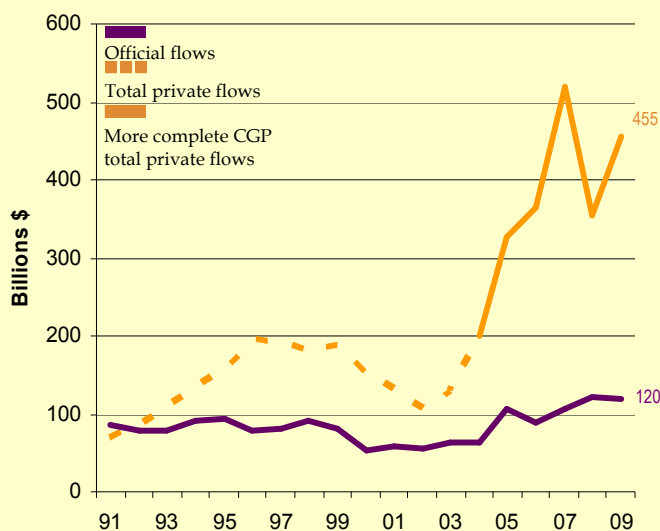
binced with philanthropy and remittances, all three private flows amounted to \$455 billion as seen in Figure 3. These private flows were almost four times larger than official flows of \$120 billion. Nearly 80% of all DAC donors' total economic engagement with the developing world is through private financial flows. Figure 4 provides a breakdown of the different forms of private flows, comparing them to public flows over the last 19 years. Remittances at \$174 billion combined with philanthropy at \$53 billion total almost twice the amount of ODA.

The OECD and the international community at large focus on official flows only 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 flows—ODA, philanthropy, and remittances.

The *Index of Global Philanthropy and Remittances* provides a more comprehensive picture of private philanthropy from developed countries than what is currently reported by the OECD. The Center for Global Prosperity (CGP) has researched improved private giving numbers for 13 developed countries in addition to the United States. There is a wide discrepancy between the level of

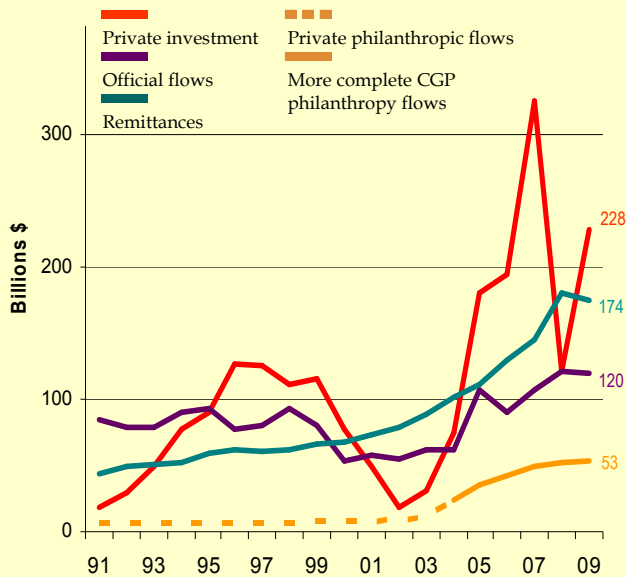
Figure 3

Total Official and Total Private Flows – Philanthropy, Remittances, Investment– from OECD Donor Countries to Developing Countries, 1991-2009 (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, 2010; Hudson Institute, 2005-2011.

Figure 4
Official, Private Investment, Philanthropic, and Remittance Flows from OECD Donor Countries to Developing Countries, 1991-2009 (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, 2010; Hudson Institute, 2005-2011.

private giving that many DAC donor nations report to the OECD and the more complete numbers compiled by the CGP. The 13 countries for which the CGP was able to compile more complete numbers reported total private giving of \$1.7 billion to the OECD in 2009, while the *Index* identified \$10.3 billion in giving for these same 13 countries in 2008, the most recent year for which more complete CGP calculations are available. When combined with the other nine donors, CGP found that total non-U.S. private philanthropy amounted to \$15 billion.

Figure 5 shows ODA, private philanthropy and remittance flows of all DAC donor countries as a percentage of GNI. If ODA is the only flow considered when measuring a nation's contributions relative to its GNI, then only five nations succeed in reaching the target of 0.7%, as shown in Figure 2. When private philanthropy and remittances are included, however, 16 of the 23 DAC donors pass the mark. Several countries, including Canada, the United Kingdom, and the United States, rank better relative to other donors once all three flows are calculated.

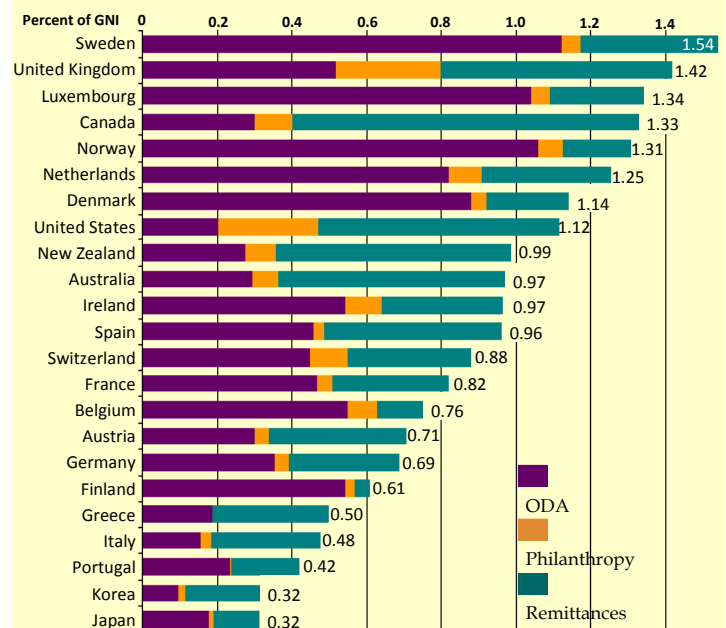
In 2002, the Hudson Institute began to measure U.S. private giving more comprehensively. Our work, conducted with leading philanthropic research institutions, such as the Urban Institute Center on Nonprofits and Philanthropy and the Foundation Center, found a much higher number than what the U.S. gov-

ernment reports to the OECD. The U.S. Government is aware of the inadequacies of the private giving number it reports and has acknowledged in publications and official presentations the improved giving number developed through the Hudson Institute's research network.

Other DAC donors have not yet fully committed to accurately measuring their countries' private generosity. There is much more work that needs to be done, including reducing the legal and regulatory barriers to giving that prevent philanthropy from growing.

What is clear from the CGP's research is that developed countries provide far more to the developing world through private actors than through government aid. Private sector interactions – whether it be investment, remittances, and private philanthropy or just remittances and private philanthropy – far exceed ODA. This reflects the diverse, new world of international development where for-profits, nonprofits, churches, universities, families and individuals can and are contributing to international relief and development.

Figure 5
Total Assistance from OECD Donor Countries to Developing Countries: ODA, Philanthropy and Remittances as Percentage of GNI, 2009



Source: OECD, Statistical Annex for Development Co-operation Report, 2011; Hudson Institute's remittance calculations from DAC donors to DAC recipients based on data from the World Bank's Migration and Remittance Team 2010; Stein Brothers, AB, Scandinavia 2009-2010; Charles Sellen, France, 2008-2009 and VU University Amsterdam Department of Philanthropy, Netherlands, 2009; Instituto per la Ricerca Sociale, Italy, 2009; Le Cercle de Cooperation des ONG de Developpement, 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 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.

Private Giving at Work



Father Angelo D'Agostino, founder of Nyumbani.

NYUMBANI

An Investment Like No Other

In 1992, Father Angelo D'Agostino, a Jesuit priest, urologist and psychiatrist who served on the board of a large orphanage in Nairobi, suggested to the board that the facility be opened to HIV-positive children. The board declined because of the cost involved. Father D'Agostino, however, was unwilling to accept that there was no one to care for these children and founded the Nyumbani Children's Home to care for them. In Swahili, Nyumbani means "at home," and for the past 18 years this is exactly what this nonprofit has provided for more than 250 orphaned and abandoned HIV-positive children in Nairobi. Nyumbani currently houses some 100 children in a family-like setting that is the first home many of these children have ever known.

In 1998, Nyumbani launched its Lea Toto Outreach Program to provide care for the increasing number of children infected with the HIV/AIDS virus living in Nairobi's slums. The program allows children to receive medical care in their own homes and provides social services, nutritional support for the family, counseling, education support, HIV prevention education, and programs for sustainable community development, including business development training and microcredit services. To date, Lea Toto has assisted more than 6,000 children and families and has had an extraordinary impact on mitigating the effects of HIV/AIDS in the community.

In 2006, the Nyumbani Village, an intergenerational community, was established and is now home to 70 elders and almost 750 orphans who live in dozens of private homes throughout the the village, which includes schools, a community center, a health center, parks, and numerous agricultural enterprises designed to make Nyumbani Village self-sustaining.

KEMPINSKI HOTELS

Hospitality with a Heart

Few would expect a luxury hotel company to place itself in the service of a campaign to stop the spread of tuberculosis, but Kempinski Hotels, a Munich based hotel group, is doing just that. Since 2008, Kempinski has partnered with the Luis Figo Stop TB Campaign, a public education initiative created by Portuguese soccer star Luis Figo to spread information on TB treatment and prevention. It is part of the World Health Organization's global Stop TB Partnership, an international effort to combat TB through treatment, prevention and education, and receives support from the Eli Lilly MDR-TB Partnership, a public private partnership consisting of more than 24 global organizations working to eradicate multi-drug resistant TB.

Kempinski Hotels distributes Stop TB Campaign materials through its hotels in TB hotspots in areas such as Africa, Asia, and Eastern Europe, and educates and trains employees in TB prevention as part of its corporate social responsibility effort. As of August 2010, Kempinski has trained 19,000 employees in TB prevention and has provided information cards for 3.3 million guests staying in 13,044 hotel rooms. TB prevention activities at hotels have included "TB Quiz Days" for the staff, their families, and local communities; distribution to children of an educational comic book produced by the Luis Figo Stop TB Campaign with support from the Lilly Partnership; creating and displaying campaign posters around the hotels; and raising local awareness during World TB Day in both 2009 and 2010.



Kempinski hotels educate and train workers in TB prevention as part of its corporate social responsibility effort to have a positive effect on the communities surrounding its hotel properties.

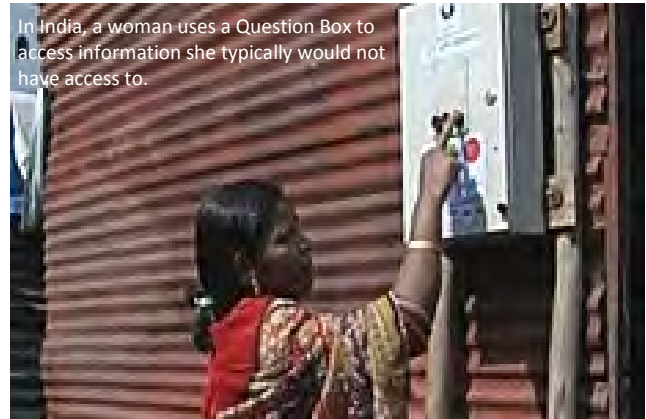
CONTINUOUS IMPROVEMENT IN THE CENTRAL AMERICAN WORKPLACE

Better Products Through Better Workplaces

In 2004, several Central American nations were seeing their textile industries unravel, an unsettling prospect as the industry is critical to the economic wellbeing of the region—400,000 mostly poor women rely on it for employment. The region faced the impending sunset of the Multi-Fiber Arrangement, a global trade agreement that set quotas for the export of textiles from poor nations to wealthier ones. In addition, consumers and clothing producers were demanding better workplace conditions for textile workers. Factories in Central America had a history of poor working conditions, forced labor, discrimination and adversarial relationships between labor unions and manufacturers and multinational retailers had been frustrated in their attempts to improve conditions.

The United States Agency for International Development (USAID) spearheaded a four year, \$4.2 million alliance with Wal-Mart, Limited Brands and Gap, Inc., Timberland, local PVOs, and unions to create major sustained improvement of workplace conditions in the region to improve the industry's competitiveness. With financial support from USAID and the multinational retailers, the Continuous Improvement in the Central American Workplace (CIMCAW) program improved workplace conditions in Central American factories to increase their attractiveness to domestic and international consumers.

The centerpiece of the program was a large scale effort to educate workers and managers about their rights and obligations and to foster collaboration between factories, employees, and unions. As part of the program, five joint worker manager training programs were developed and 800 workers and managers from 47 factories were trained. As a result, working conditions were improved for 56,000 workers through the implementation of new safety and antidiscrimination programs. The program trained 614 labor inspectors in El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic to help them better detect workplace abuses such as child labor and discrimination. In Nicaragua, Honduras, and the Dominican Republic, standing consultative committees were formed that included local industry, unions, PVOs and the government to help develop a culture of cooperation.



QUESTION BOX

Harnessing Technology to Fight Poverty

Question Box is a cutting edge initiative designed to get much needed information to poor individuals in the developing world to help lift them out of poverty. It is a project of Open Mind, a nonprofit headquartered in Santa Monica, California, founded in 2007 by Rose Shuman to use technology to connect poor rural populations with the fast changing world.

In India, where the service was launched, the Question Box is a physical call box mounted to a wall in a public area, such as a neighborhood store. The simple telephone intercom requires no literacy or computer skills—users place a free call by pushing a green button and are connected to an operator sitting in front of a computer. Questions range from agricultural concerns like how to get rid of certain pests and the market price of crops, to sports scores, and homework questions. The operator goes online and finds the answer to the caller's question.

In Uganda, the idea is the same but the technology is different. With unreliable Internet connections but widespread mobile phone networks, Question Box Uganda employs 40 Community Knowledge Workers with mobile phones. Any individual in the Mbale and Bushenyi regions can approach one of the workers with a question. The knowledge workers call a local Question Box call center, where operators search a specially built database for answers.

Question Box is funded by a mix of PVO and government grants and individual donations. According to Shuman, Question Box is unique because it “brings technology to those parts of developing countries that have no other tools for communicating. People can obtain information in real time in their own language.” Dr. Nikhil Argarwal, who cofounded Question Box in India, predicts that access to information will have long-term benefits for poverty reduction.