CROSS-BORDER GIVING

DEVELOPMENTS IN GLOBAL PHILANTHROPY

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Global Giving

Global giving has emerged in response to the global dimensions of recent natural disasters, health pandemics, and terrorism. The charitable response to the September 11, 2001 terrorist attacks on the World Trade Center in the United States was immediate: private donors contributed over $500 million in the two weeks following the attacks. Pledges from governments, NGOs and private citizens following the earthquake and tsunami that devastated coastal regions in 11 countries on December 26, 2005 amounted to over $345 billion.\(^2\) The American Red Cross estimates that more than $2 billion will be required to meet its cost for the emergency needs of Hurricane Katrina survivors. In 2004 governments and foundations have provided $3.6 billion for HIV/AIDS, tuberculosis and malaria programs.\(^3\)

Definition of Philanthropy

Anthropologists have defined philanthropy throughout history as giving outside one’s family. In the United States, philanthropy has roots in the religious practice of giving for charitable works, in the mutual assistance of early North American settlers to combat hardships, in traditions of native Americans and African Americans, and democratic principles of civic participation. Benjamin Franklin, an early philanthropist, founded local civic organizations such as the volunteer fire company and institutions including the Pennsylvania hospital, the University of Pennsylvania and the Philadelphia public library.

A modern definition of philanthropy is “the giving of time, money, and know-how to advance the common good.”\(^4\) Foundations have evolved to provide systematic, scientific philanthropy, based on an optimistic belief in the application of science and reason to solving human problems. At the beginning of the twentieth century, legal institutions for philanthropic giving became structured along corporate lines in order to permit more flexibility than charitable trusts, the traditional mode of giving featured in English law. Boards of Directors, rather than trustees, directed operations.

In the twenty-first century, new information and communications technologies facilitate global giving. Individuals, NGOs and corporations use email and the Web to create networks that link traditionally unconnected donors to achieve economies of scale, increase coordination and promote greater accountability. Shared evaluation tools provide feedback and assessments about the effectiveness of giving. One such initiative is the Worldwide Initiatives for Grantmaker Support,\(^5\) or WINGS, a network of over 100 associations of grantmakers from over 60 countries. One of WINGS’ projects has monitored the global development of community foundations since 1999.

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\(^2\) In the two weeks following the earthquake and tsunami, American companies and corporate foundations pledged over $300 million: $110 in cash and the rest in goods and services. Companies pledged to match $32.9 million in contributions by their employees.

\(^3\) Kates, J. Financing the Response to HIV/AIDS in Low and Middle Income Countries, July 2005.

\(^4\) The W.K. Kellogg Foundation

Community Foundations

The first community foundation was established by Frederick Goff in Cleveland, Ohio in 1918. Community foundations are the fastest growing area of philanthropy. Community foundations differ from private foundations and other types of philanthropy in the following respects:

- Funding from a broad range of donors, large, medium or small, private and public, local, domestic, or foreign. Even people of modest means contribute. There can be donor advised funds, with seed money from larger donors. An endowment can also sustain activities
- Grants are made to the reference community they serve, helping local people to help themselves
- Governed by a diverse board of trustees, reflecting civic and private sector community leaders, local government officials, and NGOs

In 2004, there were 1,175 community foundations in 46 countries, an increase by 5% in the number of community foundations, and an increase by 9% in the number of countries. There are 274 community foundations outside the UK, Canada and the US, representing an increase of 24%.

In March 2003 the World Bank, in partnership with the Council on Foundations, launched a project to test the effectiveness of community foundations to empower communities in several countries. One of the ways that the Bank provides technical assistance in this field is to assist countries to develop their legal framework for civil society organizations, including foundations. There is a growing appreciation of civil society as an important third sector of society, along with the public and private sectors. A useful handbook provides guidance for creating or amending domestic laws that protect and regulate civic organizations, including foundations.

Lessons Learned

The donor community and the evolving networks for joint action are creating a culture of learning and a new “performance-based” philanthropy. A joint working group of the European Foundation Centre and the Council on Foundations have developed eight principles of good disaster management to help foundations in addressing disasters:

1. First, do no harm.
2. Stop, look and listen before taking action.
3. Don’t act in isolation.
4. Think beyond the immediate crisis to the long-term.
5. Bear in mind the expertise of local organizations.
6. Find out how prospective grantees operate.
7. Be accountable to those you are trying to help.

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6 Through its Social Development Department and in collaboration with the Foundations Unit in the Concessional Finance and Global Partnerships Vice Presidency
7 Guidelines for Laws Affecting Civic Organizations, by Leon E. Irish, Robert Kushen, and Karla W. Simon, prepared by the Open Society Institute
http://www.soros.org/resources/articles_publications/publications/lawguide_20040215
Communicate your work widely, and use it as an educational tool.\textsuperscript{8}

**Polio Eradication**

175 public and private sector agencies have joined with the World Health Organization in a US$1.8 billion global polio eradication program that has been under implementation since 1988. The number of cases of polio has fallen by 99% since the program’s inception. Although the benefits which accrue to the entire world from the eradication of polio are very large, the national benefits of eradicating the last few cases of polio are relatively small.

Countries in which polio is still endemic should not be expected to bear the costs for this effort, which is a global public good. In 2004 The Bill & Melinda Gates Foundation and Rotary International each contributed $25 million to convert financing from the World Bank in projects to eradicate polio to grant terms. The Gates Foundation has stipulated a requirement that the buy-down can only take place upon certification by the World Health Organization that the vaccination program in the country concerned has been implemented successfully. This requirement has led to a number of innovations designed to maximize prospects for a successful outcome.

**Benefits of collaboration**

One effect of the collaboration between the World Bank and foundations in global programs is a growing appreciation within foundations for the World Bank and its government partners: the possibilities of moving to scale, making a wide impact, and replicating projects. Likewise, the World Bank is learning how to capitalize on the strengths of foundations: their flexibility, closeness to the ground, provision of social venture capital, access to grass-roots experience, and independent voice.\textsuperscript{9}

Annex 1

**Guidelines for Approving Foundations as Partners**

\textsuperscript{8} http://www.cof.org/files/Documents/International_Programs/disasterguide.pdf

\textsuperscript{9} The World Bank participates in a number of other global partnerships, including the Consultative Group on International Agricultural Research, the Global Environmental Facility, the Multilateral Fund for Implementation of the Montreal Protocol, the Guinea Worm Eradication Program, the Prototype Carbon Fund, the Critical Ecosystems Partnership Fund, the Global Alliance for Vaccines and Immunization, the Global Water Partnership, the Global Infrastructure Fund, the Groupe Consultatif d’Assistance aux Plus Pauvres. The World Bank’s Guidelines for approving a Foundation as a Partnership are attached as Annex 1.
For more than a decade, the World Bank has engaged in successful partnerships with a variety of foundations (for foundations types and definitions see attachment # 1). Some of these partnerships have resulted in the creation of trust funds and donor codes (see attachment # 2).

The following guidelines have been created to help Bank staff in vetting potential partnerships with foundations that have not previously engaged in a partnership with the Bank or that do not have a donor code. Answering the questions below using the attached checklist, will help determine if the potential partner is a “legitimate” foundation.

While the definition of a foundation may vary from country to country, for purposes of this document a foundation is either (1) “an entity that is established as a nonprofit corporation or a charitable trust with the principle purpose of making grants to unrelated organizations, institutions, or individuals" or (2) a nonprofit corporation with their own established and reliable source of income, usually but not exclusively from an endowment, and their own governing board. ¹¹

Questions To Ask In Vetting Foundation Partnerships.

1. Does the foundation make grants or have its own reliable source of income from which it supports other organizations, institutions, or individuals? If the answer is “no” then the organization is not really a foundation. If, “yes”, proceed.

2. Is the foundation registered as a 501c3 in the U.S.? To maintain foundation status in the U.S., the IRS requires the annual filing of a 990 form. The form asks questions that can demonstrate whether or not the foundation is fulfilling its legal obligations as a 501c3 (making grants and/or expending a certain percentage of its funding depending on what type of foundation it is).

3. If “yes”, is the foundation a member of the Council on Foundations? http://www.cof.org/index.cfm?containerid=95

¹⁰ Definition provided by the Foundation Center – a leading authority on US philanthropy. The Foundation Center lists the top foundations in the US by asset size and grantmaking.(see section on researching philanthropy): http://fdncenter.org/ ¹¹ The European Foundation Centre – a trade and membership association for foundations around the World with members largely drawn from Europe and the United States: http://www.efc.be/
The Council on Foundations is the premier trade and membership association for U.S. foundations. Through its Board, annual conferences and publications, it advocates professionalism and ethical practices in philanthropy. It also provides guidance on best practices in international grantmaking and addresses how to comply with the anti-terrorist regulations stipulated in the US Patriot Act and Executive Order 13224.

4. If not registered in the U.S., in which country is the foundation registered?

5. Is the foundation a member of the European Foundation Centre?
   The European Foundation Centre (EFC) is the premier international trade and membership association for foundations. Like the Council on Foundations, the EFC has an international committee and governing council that advocates high standards for professionalism and good conduct among its members. While most EFC members are either from Europe or the U.S., foundations from Africa, Asia, and Latin America are also members: For a listing of members by name of foundations and by country see: http://www.efc.be/membership/currentmembership.htm

6. Is the “foundation” a member of any of the following regional philanthropy associations?
   There are over 45 regional and country philanthropic support groups. Many of these groups may be affiliated with the European Foundation Center and Council on Foundations. Check to see if your foundation is a member of one of these groups.

   • Asia Pacific Philanthropy Consortium
   • Center for Philanthropy and Civil Society (Thailand)
   • Centre for the Advancement of Philanthropy (India)
   • Grupo de Fundaciones (Argentina)
   • Centro Mexicano para la Filantropia (CEMEFI)
   • Puerto Rico Community Foundation
   • Grupo de Institutos Fundacões e Empresas (GIFE) (Brazil)
   • Centro Colombiano de Responsabilidad Empresarial (CCRE) (Colombia)
   • Institute for the Development of Social Investment (Brazil)

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12 The Council on Foundations (COF), www.cof.org has over 2,000 members. It has an international committee for U.S. international grant makers (USIG). USIG has a website with information about the options and legal requirements for international grantmaking, as well as notes on grantmaking in specific countries: http://www.usig.org/. COF works with the Foundation Center to conduct research on international grantmaking. COF organizes annual conferences for corporate grant makers, family foundations, community foundations, and a general annual conference for all grantmakers. It also produces publications and holds workshops. COF generally supports global philanthropy through written resources, technical assistance, and legislative and regulatory initiatives.

13 The European Foundation Centre (EFC) promotes and underpins the work of international foundations and corporate funders either located in Europe or international foundations such as Ford and Toyota that support activities in Europe and the Mediterranean regions. Several EFC initiatives seek to promote cross-border philanthropy, as well as the growth of philanthropy. The EFC currently consists of over 45 regional philanthropic support groups, such as the Asia Pacific Philanthropy Consortium. The EFC has an international committee that advises on issues relating to wider Europe and other world regions, namely the Americas, Sub-Saharan Africa, the Mediterranean, and Asia.
You might also contact the The Worldwide Initiatives for Grantmaker Support (WINGS), www.wingsweb.org --- a network of more than 90 membership associations serving grantmakers and support organizations serving philanthropy.

7. If the foundation is a corporate foundation please also check the Calvert database on social research to determine if the company has had a history of problems that may bring sharp criticism to the Bank for engaging in a partnership with the company or the corporate foundation formed by the company: http://www.calvertsocialresearch.com/14

If all else fails, please contact the Foundations Unit for guidance: ext: 89793

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*Checklist for Vetting Foundation Partnerships*

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14 Calvert Social Research conducts research and analysis on corporate social and environmental performance, evaluating thousands of companies annually to determine suitable investments based on exacting standards in six areas: environment, workplace issues, product safety and impact, international operations and human rights, community relations, and indigenous people's rights.
1. Does the foundation make grants or have its own reliable source of income from which it supports other organizations, institutions, or individuals?

☐ YES  ☐ NO

2. Is the foundation registered as a 501c3 in the U.S.?

☐ YES  ☐ NO

3. If “yes”, is the foundation a member of the Council on Foundations?
   http://www.cof.org/index.cfm?containerid=95

☐ YES  ☐ NO

4. If not registered in the U.S., in which country is the foundation registered?

NAME: _____________________________________________________

5. Is the foundation a member of the European Foundation Centre?
   For a listing of members by name of foundations and by country see:

☐ YES  ☐ NO

6. Is the “foundation” a member of any of the 45 regional or country philanthropy associations? (see the list of regional associations given in the guidelines)

☐ YES  ☐ NO
   If “yes”, which association? _______

7. If the foundation is a corporate foundation please also check the Calvert database on social research to determine if the company has had a history of problems that may bring sharp criticism to the Bank for engaging in a partnership with the company or the corporate foundation formed by the company: http://www.calvertsocialresearch.com/

   Summarize Results for Calvert Search:

   ______________________________________________________________
   ______________________________________________________________
   ______________________________________________________________

Attachment # 1

Foundation Types and Definitions
There are two basic types of foundations: *Private* and *Public*. The major difference between them is that all private foundations obtain their funding from one source whereas all public foundations obtain funding from multiple sources.

*Private foundations* are nonprofit organizations whose funds come from one source, whether it is an individual, a family, or a corporation. There are four different types of private foundations:

**Family Foundations** receive endowments from individuals or families. Family foundations show measurable donor or donor-family involvement, especially though participation on the foundation’s board of directors (e.g. Turner Foundation, Rockefeller Brothers Fund).

- **Operating Foundations** are private foundations that use the bulk of their resources to provide charitable services or run charitable programs of their own. They make few, if any, grants to outside organizations and, generally do not raise funds from the public (e.g. J. Paul Getty Trust).

- **Independent Foundation** funding is in the form of an endowment, and even though wealthy families start many private independent foundations, no family members control the grant making. Because of their endowments, they are focused primarily on grantmaking and generally do not actively raise funds or seek public financial support. These foundations are highly professionalized with carefully developed grantmaking strategies and criteria. Their boards of directors often consist of people who are eminent in the fields of interest to the foundation. Of the largest private foundations in the United States, most are independent foundations, although they may have begun as family foundations (e.g. Ford, Rockefeller and MacArthur Foundations).

- **Corporate Foundations** or company-sponsored foundations are entities through which a corporation organizes and channels its philanthropic giving. The company-sponsored foundation is a separate, legal organization (501c3) subject to the same rules and regulations as other private foundations. The assets of the corporate foundation are derived from the assets or profits of its parent corporation or individuals closely associated with the corporation. Most corporate foundations maintain close ties with the donor company and the board of directors includes company executives (e.g. Bank of America Foundation, American Express Foundation).

Legally classified as “public charities,” *public foundations* are publicly supported nonprofit organizations and receive assets from multiple sources. They can be funded by contributions from individuals, corporations, governmental units, private foundations and fees for service.
A public foundation must continue to seek money from diverse sources in order to retain its public status. As distinguished from most public charities, public foundations focus more on grantmaking than on providing direct charitable services (e.g. Asia Foundation, UN Foundation, and Vancouver Community Foundation).