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Trends in Global Philanthropy Among U.S. Foundations: A Brief Review of Data and Issues

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Key Points

- International grantmaking has increased dramatically in the past two decades, at a rate faster than domestic grantmaking.
- The increase in international grantmaking, stimulated by increased interest in global issues, was fueled by increased foundation assets and especially by new foundations created since 1990.
- While many of the issues confronting international grantmaking exist with domestic grantmaking, they have special aspects and increased importance because of the global context.
- Many foundations have now accumulated information about how best to work in partnership with other foundations, governments, and business; these lessons would benefit all foundations.
- Thoughtful collective action taken by foundation membership organizations from across the globe would likely result in constructive advances in effectiveness, and increased public benefit.

Introduction

Global giving by major foundations in the United States has increased dramatically over the past two decades. While this is not a new focus of foundation grantmaking (Spero, 2010), the dramatic increase in international funding is striking. Growth in international funding has increased faster than domestic funding, reaching 24 percent of total foundation giving and 9 percent of grants in 2008 (Lawrence & Mukai, 2010b). The fact that international grantmaking has outstripped the growth in domestic grantmaking suggests that the increase reflects philanthropic interests in giving outside the U.S.

This review article will present the data on international grantmaking by foundations in the United States, discuss the factors likely influencing the change, and identify some of the issues inherent in international grantmaking – issues largely ignored despite the dramatic increases in funding. The Foundation Center is the primary source of data for this article; the 2008 database, used for most of the reports cited here, includes all grants of $10,000 or more awarded by 1,490 of the largest U.S. foundations (Lawrence & Mukai, 2010b). In addition, several recent articles on this trend of increased international giving (sometimes called global philanthropy, a much broader term usually including all nonprofit giving globally) have suggested interesting ideas about the underlying phenomena and issues requiring further attention and research.

Data on International Grantmaking by U.S. Foundations

The most recent data published in *International Grantmaking IV* (Foundation Center, 2008), together with an important report by former foundation executive Joan Spero written while on sabbatical at the Foundation Center (2010), document several important facts about U.S. foundations. First, total U.S. foundation assets increased nearly fourfold from 1990 to 2008 (the latest available data), from about $143 billion to $565 billion, with the peak asset level –$615

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billion – reached in 2006. Second, total foundation giving increased exponentially over the same period, from nearly $9 billion in 1990 to nearly $47 billion in 2008. Third, the number of U.S. foundations more than doubled in this period, from about 32,000 in 1990 to more than 75,000 in 2008 (Spero, 2010). Over the past two decades, therefore, U.S. foundations dramatically increased their numbers, their assets, and their giving – and global philanthropy grew.

With the end of the Cold War, new democracies emerged, fueling economic expansion in some countries while widening the gap relative to countries at lower economic levels (e.g., Collier, 2007). That widening gap between top and bottom countries and increased disparities within some countries were accompanied by increased interconnectedness, as more people could travel more frequently and widely and as global communication expanded, especially over the Internet. All of this has been termed "globalization," bringing more challenges as well as more opportunities for foundation giving.

During the 1990s, established U.S. foundations began framing their priorities relative to global problems. More significantly, the new foundations emerging in this period were more likely to consider the global context and emphasize cross-border, global programs. This is not surprising, as many of the new foundations were funded by profits from the global finance, media, and, especially, technology sectors. Among the larger such foundations are the Bill and Melinda Gates Foundation, founded in 1994; the Gordon and Betty Moore Foundation (2000); the Google Foundation (2004); and the State Street Foundation (2006). The Gates foundation has largely focused on global issues such as health, and in 2008 accounted for 44 percent of all international funding by U.S. foundations. (Removal of the Gates Foundation from the data reduces but does not erase the increase in international dollars granted relative to domestic dollars granted.)

The 10 foundations responsible for the most U.S. grantmaking dollars given to international organizations in 2008 include most of the largest U.S. foundations: the Gates, William and Flora Hewlett, Ford, Susan Thompson Buffett, David and Lucille Packard, Moore, John D. and Catherine T. MacArthur, Rockefeller, and Andrew W. Mellon foundations, and the Carnegie Corporation of New York. Interestingly, half of these foundations gave a majority of their grants internationally, led by Gates with 86 percent of its grants with intended beneficiaries outside the U.S. The rest of the foundations generally gave a substantial percentage of their grants internationally: MacArthur, 47 percent; Carnegie, 45 percent; Moore, 40 percent; Packard, 38 percent; and Mellon, 22 percent.

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Foundation grants with intended beneficiaries outside the U.S. have increased dramatically in absolute amounts as well as in terms of share of total U.S. foundation giving. The total amounts given internationally by U.S. foundations rose from $75 million in 1982 (the first year international giving was recorded separately by the Foundation Center) to a record $7 billion in 2008 (Lawrence & Mukai, 2010b). Relative to total foundation giving , the 1982 share of international giving was 5 percent and the 2008 share

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was more than 24 percent (Spero, 2010). When Gates is removed from the data, the 2008 share of international giving is 16 percent (Lawrence & Mukai, 2010b).

In 2008, only one-third of the total $7 billion in international giving was granted directly overseas and two-thirds of international giving was awarded initially to U.S. organizations (Lawrence & Mukai, 2010b). Nearly 60 percent of foundation respondents reported that the post-Sept. 11 regulatory environment had made them hesitant to fund directly overseas.

While the top international foundations mentioned above are almost all independent (the only exception is Packard, a family foundation), other foundation types have also significantly increased their international grantmaking. Specifically, corporate and especially community foundations have more than doubled their international giving, and both at faster rates than the change among independent foundations. Considering all foundation types, many more foundations are giving internationally now than in the past. Significantly, new foundations of all sizes created since 1990 represented 56 percent of international funding in 2008 (Lawrence & Mukai, 2010b; Spero, 2010).

Recession Effects on U.S. Global Giving

The overall growth trends in international funding are real and certainly create some momentum for the future. Nevertheless, more recently, the recession has affected all foundations to some extent. The Foundation Center sampled 719 large and midsize foundations in September 2010 to follow up on effects of the recession (Lawrence, 2010). This sample reported more recession effects than suggested by the survey on 2008 grantmaking activities reported earlier in this paper; nonetheless, the growth trends remain. Lawrence (2009) noted that even though the data show evidence of most foundations returning to their prior levels of giving in 2011, it will likely be a few years before the totals will reach the record levels of 2008. Foundation Center estimates based on the data suggest that U.S. foundations lost an average of 17 percent of their assets in 2008, leading to an 8 percent reduction in their giving in 2009 (Lawrence & Mukai, 2010a). Given these declines in assets in 2008, it is remarkable that international giving in 2009 was estimated to have declined only 4 percent, half the overall decline (Lawrence & Mukai, 2010b). The factors moderating the drop in international giving included reductions in operating expenses, continued gifts and bequests to the newer foundations, and increased giving by the Gates foundation (Lawrence & Mukai, 2010b). Note that without Gates in the data, the decrease in both international and domestic giving was estimated at 9 percent for 2009 (Lawrence & Mukai, 2010b).

Recipients Versus Beneficiaries of International Giving

While the ultimate beneficiaries of international giving by U.S. foundations are in other countries, the largest share of grant dollars in 2008 went to U.S. organizations to distribute the funds overseas and, in some cases, to provide technical assistance to the intended beneficiaries. In 2008, only one-third of the total $7 billion in international giving was granted directly overseas and two-thirds of international giving was awarded initially to U.S. organizations (Lawrence & Mukai, 2010b). Nearly 60 percent of foundation respondents reported that the post-Sept. 11 regulatory environment had made them hesitant to fund directly overseas (Foundation Center, 2008).

And in many cases, even the overseas recipients were not the ultimate intended beneficiaries. Considering the location in 2008 of overseas recipients of U.S. international grantmaking, 26 percent of U.S.-foundation overseas grant dollars

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funded global programs of multinational government organizations located in Europe, such as the World Health Organization; another 18 percent went to other western European recipients for work outside western Europe. The regions receiving the next largest shares of overseas international grant dollars from U.S. foundations were Asia, which received 18 percent of grant dollars, and sub-Saharan Africa, with 12 percent. All global regions saw increased funding from 2000 to 2006, with the share for developing countries increasing most dramatically. By 2008 these trends continued, except that the share of grants to global programs and sub-Saharan Africa declined relative to 2006 (Lawrence & Mukai, 2010b).

Areas of focus

In terms of areas of focus, health continues to be the major recipient. Health has received the largest share of U.S. international grant dollars, 39 percent in 2008, down from 43 percent in 2006, almost all of it from the Gates foundation (Foundation Center, 2008; Lawrence & Mukai, 2010b). International development, including relief funding (which was a primary reason for international funding by 43 percent of foundations), ranks second, at about half the total funding garnered by health. The Gates foundation funded half of the international development grants. Environment, where Gates provides relatively little funding, is a close third. Without Gates funding, environment gains the greatest share of international grantmaking dollars; a single major Hewlett Foundation grant accounts for nearly half of the total. The other funding areas received less than $250 million each. (The Foundation Center began categorizing the focus of international grants in 2005, so longer-term comparisons of funding focus are not possible.)

U.S. Global Giving and U.N. Millennium Development Goals

Nearly half of U.S. international giving was consistent with the United Nations Millennium Development Goals (MDG; Spero, 2010), even if MDG was not given as the reason for the focus. The goals were unanimously approved by U.N. members in 2000, to be reached by 2015. Because of this challenge, many foundations oriented their international grantmaking to the eight goals, which are to:

1. eradicate extreme poverty and hunger,
2. achieve universal primary education,
3. promote gender equality and empower women,
4. reduce child mortality,
5. improve maternal health,
6. combat HIV/AIDS, malaria, and other diseases,
7. ensure environmental sustainability, and
8. develop a global partnership for development.

The U.N. and its partner agencies provide annual MDG progress reports (e.g., United Nations, 2010).

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Summary

To summarize this section on the recipients of U.S. foundation international giving, most funding for international work in 2008 data goes to U.S. recipients, continuing the historical pattern amplified by the post-Sept. 11 regulatory climate in the U.S. (Lawrence & Mukai, 2010b). Considering grants that are awarded directly overseas, more than half go to Europe, primarily for programs focused globally (Foundation Center, 2008; Lawrence & Mukai, 2010b). We noted earlier that data from the Gates foundation, while constituting nearly half of total U.S. international grantmaking by 2008, do not change the overall trends in international giving. Gates' giving, however, dramatically affects the nature of grant recipients, increasing the figures for funding for sub-Saharan Africa and constituting almost all of international giving focused on health and half of that on international development. Without Gates funding, environment is the strongest area of international

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grantmaking, international development is second, and health is third.

Influences on and Implications of Trends in International Foundation Funding in the U.S.

Earlier in this article we discussed the social context for the emergence of dramatically increased investments in international grants by U.S. foundations: Since the end of the Cold War, foundations have increasingly framed their priorities within a global context, with many new foundations emerging in the 1990s and later more likely to emphasize international grantmaking. All components of what is termed "globalization" have played some role in foundation priorities on international issues. A slight move away from this trend was seen from 2006 to 2008, with the overall percentage of sampled foundations making at least one grant with an intended beneficiary overseas dropping 2 percentage points, from 59 percent to 57 percent (Lawrence & Mukai, 2010b).

The international grant initiatives of U.S. foundations typically take a specific substantive focus and involve strategic designs to achieve effects. While some more recent foundation efforts take a more systemic approach and partner with governments and the private sector, these efforts are targeted on specific outcomes and involve joint funding and careful execution.

But what difference does it make that foundations have increased their international program grants and, in some cases, shifted their priorities from domestic to global priorities even while largely giving the money to U.S. and European recipients to support beneficiaries? We can argue that there is some evidence for significant impact in some areas, while in other areas there is little evidence of impact despite significant investment of foundation funds. For example, health research and, to some extent, health care have been dramatically influenced by the entry of foundation funding (Spero, 2010). Health, and especially disparities in health, is now considered a major global challenge and, most importantly, one that foundation funding might be able to help. The World Health Organization, for example, argued at the beginning of this century that health disparities pose a threat to economic development and global security; Gates, with development partners, has capitalized on that awareness and appears to be gaining traction with concerted action.

Foundations have invested in the area of global health since the emergence of the major foundations in the early twentieth century. The Rockefeller Foundation, for example, focused on medical education and research as well as public health in the U.S. and globally (Spero, 2010). Similarly, the W. K. Kellogg Foundation made major investments in rural public health, first in Michigan and then in its international programs. Like research funding (Prewitt, 1995), health funding by foundations declined as the federal government began funding in this area after World War II. By 2008, however, health was back as the major category of international grantmaking for U.S. foundations, accounting for 39 percent of international giving. As noted earlier, most of this funding is from the Gates foundation.

The primary focus of health efforts is on HIV/AIDS. Several partnerships among private foundations, national governments, international governmental organizations, and industry (primarily pharmaceuticals) have focused on specific AIDS issues. One such partnership, the International AIDS Vaccine Initiative, raised close to $1 billion and has seen many accomplishments (though not yet a vaccine suitable for the target populations). The African Comprehensive HIV/AIDS Partnership (ACHAP) includes the government of Botswana, the Gates foundation, and the Merck

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& Co. pharmaceutical company. ACHAP has logged many accomplishments since its launch in 2000: training 5,500 new health care professionals, creating 32 clinics and 60 satellite facilities to deliver antiretroviral treatment, and providing free treatment to more than 100,000 people as well as creating working partnerships among the disparate funders (Spero, 2010). At the same time, these efforts reveal the tremendous complexity of such partnerships, requiring much longer launch times than anticipated, and exposing numerous unanticipated challenges that must be addressed for success.

Will these efforts work? The international grant initiatives of U.S. foundations typically take a specific substantive focus and involve strategic designs to achieve effects. While some more recent foundation efforts, such as ACHAP, take a more systemic approach and partner with governments and the private sector, these efforts are targeted on specific outcomes and involve joint funding and careful execution. Certainly, earlier examples of foundation international initiatives discussed by Spero (2010) were exemplary in design and impact; we hope that recent efforts will be similarly successful.

A Matter of Choice – Issues Facing U.S. International Foundation Funders

The primary point of Spero's 2010 report, *The Global Role of U.S. Foundations,* is that "private foundations have become important global actors pursuing social, economic, and political change around the world" (p. ix). She argues that among the increasingly influential nonstate actors affecting current global conditions, private foundation funding has been given relatively little attention. Other nonstate actors include corporations, financial institutions, and nonprofit organizations as well as criminal and terrorist groups.

Spero's argument deserves thoughtful consideration. Foundations have the opportunity, especially if they work together, to accomplish much in the world, including some goals unlikely to be accomplished by other actors. For example, the "honest broker" role of foundations can often bring groups, including warring nations, together for initial discussions. Spero documents the foreign-policy role played by U.S. foundations over the past century. This philanthropic purpose drove the funding of many foundations earlier in the century, though it has diminished in recent years. Whether "beneficiary" countries or organizations would agree that foundations have been "honest brokers" has not, to our knowledge, been considered.

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A second dominant strategy for U.S. foundation programs, both domestic and international, is to create pilot programs to be replicated by others if proven successful (Spero, 2010). These have sometimes led to public-private partnerships that use foundation funding to leverage funds from business, governments, and multilateral organizations. For example, the "green revolution" initiated by the Rockefeller Foundation in 1943 to improve crop yields and, subsequently, nutrition is now resurfacing as a new green revolution in Africa, funded by the Gates and Rockefeller foundations. This program partners with African governments and several U.N. organizations to create more sustainable solutions to hunger in Africa. The expectation is that governments and the private sector will fund these programs following the initial foundation investment.

Regardless of strategy, the larger questions of international funding (like those of domestic fund-

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ing) are impact, foundation role, and accountability; all have special importance in the global context. These questions are often discussed in international grantmaking circles, yet practice in the U.S. varies widely and there are not yet shared standards or principles for effective practice. European foundations are beginning to look at these questions strategically from their collective practice. One of the first challenges being undertaken by the European Foundation Centre is to establish the European Foundation Statute to create a new legal/regulatory context for philanthropy in Europe (Salole & Tayart, 2010).

The failure of foreign aid, usually construed as government-to-government cash transactions, together with its size – $23 billion by one account (Easterly, 2006), stimulates the question: Can foundations do better? Is the primary problem with foreign aid that funding is given to governments, which are sometimes weak or corrupt?

What Is the Impact and How Do You Measure It?

The perceived failure of international donor aid in solving serious global problems raises related questions about international grantmaking or, more generally, global philanthropy. Several important books by economists (Bornstein, 2004; Collier, 2007; Easterly, 2006; Sachs, 2005; Stiglitz, 2003) appeared in the past decade and argued that foreign aid is ineffective in combating poverty, with most authors proposing alternative approaches. The now well-documented failure of many aid programs makes clear the difficulty of redressing complicated issues such as poverty or "failed states." The failure of foreign aid, usually construed as government-to-government cash transactions, together with its size – $23 billion by one account (Easterly, 2006), stimulates the question: Can foundations do better? Is the primary problem with foreign aid that funding is given to governments, which are sometimes weak or corrupt? While most analyses consider government weakness (e.g., Collier, 2007), many other factors appear to play a role in the failures. Most notably, some critics of foreign aid (e.g., Bornstein, 2004; Easterly, 2006) have drawn attention to newer approaches that engage intended beneficiaries, including microcredit and social entrepreneurship. With empowering long-term strategies for change and capacity building, can U.S. philanthropy reinvigorate and add value to the development enterprise?

Microcredit, especially, has drawn considerable funding based on the success of an idea by Muhammad Yunus (Yunus & Weber, 2007) for microloans to small groups of poor women. Yunus began his work in 1976 in Bangladesh; the success of the Grameen Bank, which he established in the early 1980s, has drawn much attention in past decades and funding for microcredit escalated after Yunus was awarded the Nobel Peace Prize in 2006. More recently, development economist Esther Duflo and her colleagues, using randomized experimental designs, have studied many economic approaches, including microcredit, to solving social problems. Duflo is a recent winner of the Clark Prize and is co-founder of the Abdul Latif Jameel Poverty Action Lab at the Massachusetts Institute of Technology. The study of microcredit (Banerjee, Duflo, Glennerster, & Kinnan, 2009) found a limited increase in small-business creation and in durable-goods purchases (such as bicycles or televisions). But the researchers found no increase in overall consumption, which they consider the best measure of economic well-being, and no effect from microcredit on health, education, or women's decision-making. Warnings about rushing too quickly toward microcredit before evidence of effectiveness could be studied were sounded early by researchers (e.g., Murdoch, 1999). A comprehensive analysis of all studies to date (Kovsted, Barnebeck, & Kuchler, 2009) concluded that independent peer review studies using rigorous methods find little or no effect of

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microcredit on accepted economic measures, while donor studies, which used weaker methods (e.g., correlational designs with inevitable confounding effects rather than more rigorously controlled experimental designs), consistently reported positive effects.

This pattern of differing interpretations of efficacy is typical with social problems: Researchers urge caution and more research, while practitioners move quickly to implement ideas whether or not the evidence is solid. From the research perspective, the strongest evidence for effectiveness for a social program exists for preschool experience such as Head Start (e.g., Ludwig & Phillips, 2007). Even in this area, researchers continue to debate the fine points and want better data (e.g., Barnett, 2007; Cook & Wong, 2007). The scientific method begins with clear hypotheses about how change might be effected, and then tests the hypotheses about specific causal mechanisms with rigorous research. The communication of research and its results is typically targeted to specialized scientific audiences, leaving others who may be interested without information; the Internet has narrowed this information gap in recent years. Nevertheless, a recent report on philanthropy refers to research on social programs as "an evaluation landscape cluttered with distinct and warring methodologies" (Fulton, Kasper, & Kibbe, 2010, p. 22). Evaluation approaches emerging in global philanthropy (e.g., Kramer, Parkhurst, & Vaidyanathan, 2009) hold more promise for helping funders to learn from their programmatic efforts should they wish to do so.

Can Global Philanthropy in the U.S. Regulate Itself?

Are U.S. foundations in global philanthropy likely to be effective in addressing global social problems? Spero notes that "[u]nlike business, philanthropy has no marketplace or financial measure of success. Unlike other nonprofit organizations, it is not tested by having to raise private or public funds" (2010, p. 33). Some foundations, such as Gates, evaluate their work with business-style metrics mapped to program plans. Paul Brest, president of the Hewlett Foundation, has been a powerful advocate for strategic plans for philanthropic programs (e.g., Brest & Harvey, 2008); strategic plans usually provide a stronger basis for evaluation. Hewlett has also funded an innovative Web-based approach, described by FSG Social Impact Consultants (Kramer, Parkhurst, & Vaidyanathan, 2009). FSG documented three kinds of increasingly comprehensive breakthroughs in shared measurement – shared measurement platforms, comparative performance systems, and adaptive learning systems – and identified the common elements of success. All these approaches hold promise of improving foundation practice because they involve collective efforts to learn from one another. In a major recent report commenting on the future of philanthropy, Fulton and colleagues argue that "[e]ffective measurement in the future will evolve in ways that parallel the new paradigm for philanthropy more broadly: It will be fully contextualized, aggressively collective, real-time, transparent, meaningful to multiple audiences, and technologically enabled" (2010, p. 22). The learning approach they advocate – learn from past successes and failures, and make only new mistakes – seems exactly right, especially with seemingly intractable global problems.

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The Role of U.S. Foundations in Global Philanthropy

Spero's focus on the role of private foundations in solving global social problems (2010) is interesting and important. While she argues that the U.S. is the leader in philanthropy because of favorable public law and policy, many other countries around the world are rapidly developing support structures for philanthropy and innovating with blended models of grantmaking, investment, and social change. A recent, 27-chapter volume on global philanthropy (MacDonald & Tayart, 2010) includes only a few U.S. authors, yet provides dynamic documentation of lively global philanthropy emerging around the world. As we noted earlier, the European Foundation Centre is developing the European Foundation Statute to create a more favorable legal and regulatory context for philanthropy in Europe. With growing assets and annual giving, a commitment to collective action and cultural sensitivity, and an independent voice, European givers may be better prepared for global philanthropy than those in the U.S. Discussion among foundation leaders globally would seem to be the best way to examine the role of foundations in solving problems. Global variations in the policy context, for example, provide much more information on which aspects of policy truly enable effective philanthropy (MacDonald, 2010).

With growing assets and annual giving, a commitment to collective action and cultural sensitivity, and an independent voice, European givers may be better prepared for global philanthropy than those in the U.S.

Related to foundation role, a broad debate has surfaced on the question of how to best solve global problems. Interestingly, it is a newer version of the debate about charity (simply giving money) versus strategic investment (actually solving problems). Michael Edwards (2010) and Matthew Bishop (Bishop & Green, 2009) are two articulate figures in this recent debate. Edwards has long experience as a program officer at the Ford Foundation; the subtitle of his book tells the story: *Small Change: Why Business Won't Save the World* (2010). Similarly, the subtitle of *Philanthrocapitalism,* by Bishop and Green (2009), reads: *How Giving Can Save the World.* Bishop writes for *The Economist* and co-author Green is an economist; their volume focuses on the impressive efforts of "philanthrocapitalists." Edwards argues that it's not about just the money; what is needed is deep rather than small change (focusing only on symptoms of the problems.) Deep change involves cooperation with intended beneficiaries and collective action that also involves essential partners in the work who have power or expertise. Further, he argues that efforts must be sustainable, requiring long-term change by those intended to benefit from any funding.

Our guess is that philanthrocapitalists would agree with the points made by Edwards, but they may prefer to assume that those receiving funding will, somehow, engage the "deep change" part of the work. The debate focuses on a major unaddressed issue of global philanthropy: how the expected results will be achieved. While there has been much talk about the importance of having a "theory of change" in conducting philanthropic work, in our experience these theories have typically been superficial statements that are seldom used to guide action, define roles, and measure results, thus depriving the field of essential learning.

Accountability Abroad May be Less Visible, But No Less Important

The question of accountability for U.S. foundations has received significant discussion and is especially important in the global context. As Spero asks: "to whom are these independent and increasingly powerful organizations accountable?" (2010, p. 37). Relative independence from government is certainly a strength of U.S. foundations, enabling them to take risks, act quickly, and pursue long-term strategies. At the same

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time, the nonprofit status of foundations depends on maintaining public trust. Congress has periodically questioned foundations about various perceived transgressions, including excessive executive compensation, too-limited annual payouts, and other issues. Yet foundation legitimacy has not been seriously challenged overall. Over time, and in response to the successive challenges, foundations have adopted practices of disclosure and financial accountability that have now become normative and enforced by the Internal Revenue Service.

With international grantmaking, U.S. foundations have been less successful in limiting government regulation. Following the Sept. 11 terrorist attacks, Congress, led by the Senate Finance Committee, imposed stringent regulations (framed as "guidelines" but reinforced by the IRS) for giving outside the United States. The Council on Foundations, a membership organization of foundations in the United States, worked mightily to make the guidelines more consistent with actual practice, especially since no member of the Council has ever been found to have made a grant to a terrorist organization. But in the end the guidelines were unchanged, and they have affected many foundations' willingness to make grants to overseas organizations (Foundation Center, 2008). Over time, most large foundations have simply created internal systems supported by additional staff to comply with the federal guidelines. Further, the Council on Foundations and TechSoup have recently partnered on an effort to assist foundations, creating NGOSource (2010) to provide a repository for nonprofit equivalency determinations. This emergent effort could prove to be a valuable new resource for addressing the U.S. guidelines, though it has not yet been approved by the IRS.

While the U.S. regulatory context is important for international grantmaking by U.S. foundations, the most important issue for international grantmaking is foundation accountability to the intended beneficiaries, including grantees and their governments. Does the grant deliver the intended benefit to grantees? Does it provide any benefit, including any not originally intended? Most important, were there any unintended consequences, especially negative, for the intended beneficiaries? These seldom-addressed questions seem essential to the ethical practice of philanthropy. While principles and standards for international grantmaking are discussed and written about, a concerted effort at peer accountability has yet to emerge.

While the U.S. regulatory context is important for international grantmaking by U.S. foundations, the most important issue for international grantmaking is foundation accountability to the intended beneficiaries, including grantees and their governments. Does the grant deliver the intended benefit to grantees?

To provide transparency about foundations, two efforts are noteworthy. The nonprofit organization GuideStar (recently acquired by Tech Soup) reviews and publishes tax and financial data on foundations and other nonprofits, reinforcing best practices through its approval. The Foundation Center has published data on foundation grants and policies since 1956, and recently launched Glass Pockets, an initiative to increase disclosure of foundation policies and practices in grantmaking including grantee feedback and governance, with the ultimate goal of increasing effectiveness.

Important as it is, financial disclosure alone is not a sufficient indicator of foundation effectiveness. U.S. foundations are given nonprofit status to serve the public good. Do they? How would we know? As Spero (2010) notes, foundations are not generally scrutinized by the press and most

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foundations limit their public profile, generally preferring to focus on grantees. International philanthropy especially receives little scrutiny by the press, except when engaged by media celebrities. Yet questions of effectiveness, or at least doing no harm, are critical to effective global philanthropy.

If U.S. foundations receive little scrutiny within the United States, they receive even less outside our borders. While most foundations, and especially those making international grants, are aware of the need to be sensitive to local needs and local culture, little evidence exists that U.S. foundations do so.

If U.S. foundations receive little scrutiny within the United States, they receive even less outside our borders. While most foundations, and especially those making international grants, are aware of the need to be sensitive to local needs and local culture, little evidence exists that U.S. foundations do so. Spero (2010) calls for standards of behavior when operating outside the U.S. and notes the following areas for special attention: compliance with local laws and policies, effective partnerships with local leaders and organizations, consultation with local constituencies and obtaining local support for foundation work, and building local capacity and local institutions. Are there models for best practice in working with people and governments in developing countries? Some U.S. foundations do exemplary work, but their models are largely undocumented and unshared.

Finally, it is important to consider sustainability and transition once funding ceases. A corollary consideration is that of effective exit from a country or local area. There are many examples of dependency on U.S. foundation-funded programs. Is the foundation sensitive to the effects of withdrawing from this work? How can exit be most effectively managed? What are the best strategies to sustain the work following the end of funding? Given the importance of the issues, it would seem that sustainability strategies would be built into the design of initiatives and grant programs from the beginning; yet they are seldom considered in a serious way.

U.S. international grantmaking could be improved by gathering collective standards for effective practice, perhaps developed by a group such as the Council on Foundations. Even more powerful would be standards developed by a broader global group of foundations, including the Council, the European Foundation Centre, and other collective foundation groups. Similarly, individual foundations could establish their own policies for ethics and a code of conduct for international grantmaking. Collective Web-based approaches, such as those identified in the FSG effort mentioned earlier for evaluation of impact, could also be useful for accountability and sustainability.

Conclusions

International grantmaking by U.S. foundations has increased dramatically in the past two decades, led by the extensive funding from the Gates foundation but increasing at higher rates than domestic funding even without Gates funding. Like Gates, the foundations dominating international grantmaking are more likely to be recently established and have resulted from fortunes gained in the technology, media, and finance sectors. There are many examples of effective foundation approaches to important global issues and improving conditions for humankind. Foundations can clearly play an important role in addressing and perhaps solving difficult global challenges. But foundations must do more to evaluate and report on these efforts so that greater learning will result.

While many of the issues confronting international grantmaking exist with domestic grantmaking, they have special aspects and importance because

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of the global context. Great opportunity exists for foundation leadership globally to capitalize on foundation giving to achieve greater public good through collective efforts. Strategic approaches to funding globally, as urged by Paul Brest of the Hewlett Foundation, together with attention to achieving and assessing impact as well as accountability, are urgently needed. Many foundations have now accumulated information about how best to work in partnership with other foundations, governments, and business; these lessons would benefit all foundations. Thoughtful collective action taken by foundation membership organizations from across the globe would likely result in constructive advances in effectiveness, and increased public benefit.

Before concluding this article, we want to note what is not covered here. In this article we have presented data largely on private U.S. foundations, traditionally the largest portion of organized giving in the United States. As we mentioned, community foundations are playing increasing roles in global philanthropy. Nonprofit organizations, sometimes considered public foundations if their main purpose is to raise funds publicly for the purpose of making grants, have for some time played significant roles in addressing important global issues. Many organizations could be cited, but one such notable example is the Carter Center. With a mission to advance peace and health worldwide, it has had many well-documented successes in health – such as dramatically reducing the incidence of guinea worm – and in promoting peace in other countries by providing election monitors and other means. Such organizations, while playing significant roles in effecting social change globally, are not considered in this review of U.S. foundations. Our guess is that such organizations have also increased in recent years and for the same reasons that foundation giving globally has increased, but we have not considered these data.

We also want to mention innovations in how global philanthropy is conducted – innovations that we believe may ultimately facilitate true engagement with intended beneficiaries and greater involvement of donors and recipients globally. A few notable innovations include:

- web platforms that facilitate the work of funding and information exchange among and between donors and fund recipients;
- social capital markets, often Web-based, that offer funding options that range from traditional venture capital and grants to macro- and microloans; and
- organizations whose websites permit donors to design their own giving plans or permit recipients to receive funds for exactly what they need.

With these and other exciting innovations, there can be no question that new information technology is a useful tool for all philanthropy work, used to greater or lesser extents depending on the constituencies. While not the focus of this article, we believe that these innovations will be especially important for the future of U.S. global philanthropy.

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